LYDALL INC /DE/
Form 4
October 27, 2009

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
BARNHART DALE G
(Last) (First) (Middle)
C/O LYDALL, INC., ONE COLONIAL ROAD, P.O. BOX 151
(Street)
MANCHESTER, CT 06045-0151
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
LYDALL INC /DE/ [LDL]

3. Date of Earliest Transaction (Month/Day/Year)
10/26/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President & CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	10/26/2009		F		1,568 (1)	D	$ 5	68,557 (2)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BARNHART DALE G C/O LYDALL, INC. ONE COLONIAL ROAD, P.O. BOX 151 MANCHESTER, CT 06045-0151	X		President & CEO	

Signatures

Kathleen J. Carroll, Attorney-in-fact, for Dale G. Barnhart	10/27/2009
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) In conjunction with the vesting on October 24, 2009 of 5,000 shares of restricted stock from the restricted stock award granted on October 24, 2007, 1,568 shares of common stock were surrendered to satisfy tax obligations of the reporting person.

(2) Includes: (i) 27,500 unvested shares subject to time-based restricted stock awards; (ii) 30,000 unvested shares subject to a performance-based restricted stock award; and (iii) 480 shares acquired by the reporting person under the Issuer's Employee Stock Purchase Plan since the filing of the last Form 4 by the reporting person on January 12, 2009.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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%

(Dollars in thousands)

Cost of revenue:

Product
$
74,481

$
58,980

$
15,501

26
%
Subscription and services
158,723

116,113

42,610

37

Total cost of revenue
$
233,204

Explanation of Responses:

$
175,093

$
58,111

33
%
Gross margin:

Product

66
%

67
%

Subscription and services

61
%

53
%

Explanation of Responses:

Total gross margin

63
%

59
%

The cost of product revenue increased $15.5 million, or 26%, during the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase in cost of product revenue was driven primarily by an increase in product revenue.
The cost of subscription and services revenue increased $42.6 million, or 37%, during the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase in cost of subscription and services revenue was driven by a $16.4 million increase in facility and IT costs to support departmental expansion, a $12.4 million increase in stock-based compensation charges, a $6.8 million increase due to higher data hosting services and a $5.4 million increase in depreciation, of which $1.1 million related to accelerated depreciation as a result of changes in the estimated useful life of certain assets to be replaced in the first quarter of 2016.
Gross margin increased for the year ended December 31, 2015 compared to the year ended December 31, 2014, due to the increase in subscription and services margins. The increase in subscription and services margins is primarily due to the proportion of revenues attributable to subscriptions, which have higher gross margins compared to incident response, compromise assessments and other professional services.

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Operating Expenses

	Year Ended December 31,					
	2015		2014		Change	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	%
	(Dollars in thousands)					
Operating expenses:						
Research and development	$279,467	45 %	$203,187	48 %	$76,280	38 %
Sales and marketing	476,166	76	401,151	94	75,015	19
General and administrative	141,790	23	121,099	28	20,691	17
Restructuring charges	—	—	4,327	1	(4,327)	(100)
Total operating expenses	$897,423	144 %	$729,764	171 %	$167,659	23 %
Includes stock-based compensation expense of:						
Research and development	$68,329		$28,968			
Sales and marketing	73,286		66,773			
General and administrative	49,793		38,186			
Total	$191,408		$133,927			

Research and Development

Research and development expense increased $76.3 million, or 38%, during the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was primarily driven by a $62.2 million increase in personnel costs, primarily due to a $39.4 million increase in stock-based compensation charges, as well as a 24% increase in headcount. Additionally, $8.8 million of the increase was driven by higher facility and IT costs to support departmental expansion and continued investment in our future product and service offerings.

Sales and Marketing

Sales and marketing expense increased $75.0 million, or 19%, during the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was primarily driven by a $38.7 million increase in personnel costs, of which $6.5 million was related to stock-based compensation charges, largely as a result of a 28% increase in headcount, as well as a $23.4 million increase in commissions associated with higher sales. Additionally, $7.5 million of the increase was driven by higher facility and IT costs to support departmental expansion.

General and Administrative

General and administrative expense increased $20.7 million, or 17%, during the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was primarily driven by a $21.2 million increase in personnel costs, of which $11.6 million was related to stock-based compensation charges, largely as a result of a 32% increase in headcount.

Restructuring Charges

During the year ended December 31, 2014, we incurred restructuring charges of $4.3 million, of which $1.6 million related to workforce reductions and $2.7 million related to facility consolidations, as part of our plans initiated in August 2014 to reduce our cost structure and improve efficiency. We incurred no restructuring charges during the year ended December 31, 2015.

Interest Income

	Year Ended December 31,		Change	
	2015	2014	Amount	%
	(Dollars in thousands)			
Interest income	$2,935	$713	$2,222	312 %

Interest income increased during the year ended December 31, 2015 compared to the year ended December 31, 2014 due to higher average balances in our cash and cash equivalents and investments.

Interest Expense

	Year Ended December 31,		Change	
	2015	2014	Amount	%
	(Dollars in thousands)			
Interest expense	$(27,116)	$(26)	$27,090	104,192 %

Interest expense increased during the year ended December 31, 2015 compared to the year ended December 31, 2014 due to cash interest expense of $7.0 million and amortization of discount and issuance costs of $20.1 million from the Convertible Senior Notes issued in June 2015.

Other Expense, Net

	Year Ended December 31,		Change	
	2015	2014	Amount	%
	(Dollars in thousands)			
Other expense, net	$(3,284)	$(1,936)	$1,348	70 %

The increase in other expense, net during the year ended December 31, 2015 compared to the year ended December 31, 2014 was primarily due to foreign currency transaction losses caused by unfavorable changes in foreign currency exchange rates.

Provision for (Benefit from) Income Taxes

	Year Ended December 31,	
	2015	2014
	(Dollars in thousands)	
Provision for (benefit from) income taxes	$4,090	$(36,654)
Effective tax rate	(0.8)%	7.6 %

The change from a benefit from income taxes to a provision for income taxes during the year ended December 31, 2015 compared to the year ended December 31, 2014 is primarily due to the fact that we no longer have deferred tax liabilities in excess of our deferred tax assets which would be available as a source of income for purposes of determining our valuation allowance. We continue to maintain a full valuation allowance on all of our U.S. and Singapore-based deferred tax assets to the extent that deferred tax liabilities are not available as a source of income as of December 31, 2015. The tax expense for the year ended December 31, 2015 is primarily due to foreign taxes.

Comparison of the Years Ended December 31, 2014 and 2013

Revenue

	Year Ended December 31,								
	2014			2013			Change		
	Amount	% of Total Revenue		Amount	% of Total Revenue		Amount	%	
	(Dollars in thousands)								
Revenue:									
Product	$178,246	42	%	$88,253	55	%	$89,993	102	%
Subscription and services	247,416	58		73,299	45		174,117	238	
Total revenue	$425,662	100	%	$161,552	100	%	$264,110	163	%
Revenue by geographic region:									
United States	$319,144	75	%	$116,730	72	%	$202,414	173	%
EMEA	57,721	14		22,845	14		34,876	153	
APAC	34,284	8		16,004	10		18,280	114	
Other	14,513	3		5,973	4		8,540	143	
Total revenue	$425,662	100	%	$161,552	100	%	$264,110	163	%

Product revenue increased by $90.0 million, or 102%, during the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase in product revenue was primarily driven by growth in our installed base of customers, which grew from approximately 2,000 as of December 31, 2013 to approximately 3,100 as of December 31, 2014, as well as follow-on purchases from customers expanding their initial deployments of our product portfolio. Our Network Threat Prevention product accounted for the largest portion of our product revenue as customers that purchase our product portfolio generally purchase more Network Threat Prevention appliances than our other appliances, reflecting the fact that their networks typically have more Web entry points than email, file, endpoint or mobile entry points to protect.

Subscription and service revenue increased by $174.1 million, or 238%, during the year ended December 31, 2014 compared to the year ended December 31, 2013. This increase is comprised of an increase in subscription revenue of $78.9 million, an increase in professional services revenue of $68.7 million and an increase in support and maintenance revenue of $26.5 million. The increase in subscription revenue of $78.9 million and the increase in support and maintenance revenue of $26.5 million is primarily due to initial customer purchases of $117.9 million and subscription revenue resulting from our acquisition of Mandiant. Additionally, there was an increase of $57.4 million in the amortization of deferred subscription and support and maintenance revenue related to renewals for the year ended December 31, 2014. Given our high renewal rate and increasing base of customers, we expect revenue from the amortization of deferred subscription and services revenue related to renewals to increase as a percentage of our total revenue from deferred subscription and services revenue. Our renewal rate for subscription and services agreements expiring in the 12 months ending December 31, 2014 was in excess of 90%.

International revenue increased $61.7 million, or 138%, during the year ended December 31, 2014 compared to the year ended December 31, 2013, which reflects our increasing international market presence.

Cost of Revenue and Gross Margin

	Year Ended December 31,								
	2014			2013			Change		
	Amount	Gross Margin		Amount	Gross Margin		Amount	%	
	(Dollars in thousands)								
Cost of revenue:									
Product	$58,980			$28,912			$30,068	104	%
Subscription and services	116,113			18,853			97,260	516	
Total cost of revenue	$175,093			$47,765			$127,328	267	%
Gross margin:									
Product		67	%		67	%			

Subscription and services	53	%	74	%
Total gross margin	59	%	70	%

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Total cost of product revenue increased $30.1 million, or 104%, during the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase in cost of product revenue was driven primarily by an increase in product revenue and the amortization of intangible assets from our acquisition of Mandiant.
The cost of subscription and services revenue increased by $97.3 million, or 516%, during the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase in cost of subscription and services revenue was primarily driven by increased personnel costs, including a 135% increase in headcount driven primarily by the inclusion of the professional services organization from our acquisition of Mandiant, as well as amortization of intangible assets from our acquisition of Mandiant.
Gross margin decreased for the year ended December 31, 2014 compared to the year ended December 31, 2013, driven by a substantial shift in our revenue mix wherein subscription and services revenue went from 45% of our total revenues in 2013 to 58% of our total revenues in 2014, coupled with lower margins attributable to sales of our subscription and services relative to sales of our products. The decrease in subscription and services gross margin was primarily due to our increased investment in customer support personnel and infrastructure and by the amortization of intangible assets resulting from our acquisition of Mandiant.
Operating Expenses

	Year Ended December 31,								
	2014			2013			Change		
	Amount	% of Total Revenue		Amount	% of Total Revenue		Amount	%	
	(Dollars in thousands)								
Operating expenses:									
Research and development	$203,187	48	%	$66,036	41	%	$137,151	208	%
Sales and marketing	401,151	94		167,466	104		233,685	140	
General and administrative	121,099	28		52,503	32		68,596	131	
Restructuring charges	4,327	1		—	—		4,327	100	
Total operating expenses	$729,764	171	%	$286,005	177	%	$443,759	155	%
Includes stock-based compensation expense of:									
Research and development	$28,968			$6,958					
Sales and marketing	66,773			10,748					
General and administrative	38,186			8,342					
Total	$133,927			$26,048					

Research and Development
Research and development expense increased $137.2 million, or 208%, during the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was primarily driven by a $103.8 million increase in personnel costs, of which $22.0 million was related to stock-based compensation charges, largely as a result of a 41% increase in headcount, including a full year's impact of headcount increases resulting from our acquisition of Mandiant, to support continued investment in our future product and service offerings. Additionally, overhead allocations increased by $17.5 million, driven by higher facility and IT costs to support departmental expansion, and depreciation increased by $7.7 million related to increased capital expenditures.
Sales and Marketing
Sales and marketing expense increased $233.7 million, or 140%, during the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was primarily driven by a $186.1 million increase in personnel costs, of which $56.0 million was related to stock-based compensation charges, largely as a result of a 73% increase in headcount, including a full year's impact of headcount increases resulting from our acquisition of Mandiant, as well as a $45.4 million increase in commissions associated with higher sales, and increased travel costs of $11.3 million related to sales trips and attendance at marketing events. In addition, overhead allocations increased by $15.1 million, driven by higher facility and IT costs to support departmental expansion, and amortization of intangibles increased by $12.3 million from customer relationship and trademark intangibles resulting from our acquisition of Mandiant.

General and Administrative

General and administrative expense increased $68.6 million, or 131%, during the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was primarily driven by a $53.3 million increase in personnel costs, of which $29.8 million was related to stock-based compensation charges, largely as a result of a 73% increase in headcount, including a full year's impact of headcount increases resulting from our acquisition of Mandiant. In addition, overhead allocations increased by $5.4 million, driven by higher facility and IT costs to support departmental expansion.

Restructuring Charges

During the year ended December 31, 2014, we incurred restructuring charges of $4.3 million, of which $1.6 million related to workforce reductions and $2.7 million related to facility consolidations, as part of our plans initiated in August 2014 to reduce our cost structure and improve efficiency.

Interest Income

	Year Ended December 31,		Change	
	2014	2013	Amount	%
	(Dollars in thousands)			
Interest income	$713	$68	$645	949%

Interest income increased during the year ended December 31, 2014 compared to the year ended December 31, 2013 due to interest earned on higher average balances in our cash and cash equivalents and investments. As a result of proceeds generated from our initial public offering in September 2013, we were able to pay off our debt in 2013.

Interest Expense

	Year Ended December 31,		Change	
	2014	2013	Amount	%
	(Dollars in thousands)			
Interest expense	$(26)	$(525)	$(499)	(95)%

Interest expense decreased during the year ended December 31, 2014 compared to the year ended December 31, 2013 due to lower bank borrowings.

Other Expense, Net

	Year Ended December 31,		Change	
	2014	2013	Amount	%
	(Dollars in thousands)			
Other expense, net	$(1,936)	$(7,257)	$(5,321)	(73)%

The decrease in other expense, net during the year ended December 31, 2014 compared to the year ended December 31, 2013 was primarily due to the absence of any expense for the fair value revaluation of our preferred stock warrant liability during the year ended December 31, 2014. Upon the closing of our IPO in September 2013, the preferred stock warrants were converted into common stock warrants, and the warrant liability was then reclassified to stockholders' equity. Subsequently, we no longer recorded any mark-to-market changes in the fair value of these warrants, and as such, there was no related expense during the year ended December 31, 2014.

Benefit from Income Taxes

	Year Ended December 31,	
	2014	2013
	(Dollars in thousands)	
Benefit from income taxes	$(36,654)	$(59,297)
Effective tax rate	7.6%	33%

The decrease in our tax benefit from income taxes during the year ended December 31, 2014 compared to the year ended December 31, 2013 was primarily due to recognizing fewer U.S. federal and state net operating losses and tax credits for which no valuation allowance is required because we had fewer incremental acquisition-related deferred tax liabilities available as a source of income. Our effective tax rate for the year ended December 31, 2014 was different from the U.S. statutory tax rate applied to our pretax loss primarily as the result of the recording of certain U.S. federal and state net operating losses and tax credits for which no valuation allowance is required, partially offset by different tax rates in foreign jurisdictions which are indefinitely reinvested. No valuation allowance is required to the extent of our scheduled future reversals of our acquisition-related deferred tax liabilities. Our

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effective tax rate for the year ended December 31, 2013 was different from the U.S. statutory tax rate applied to our pretax loss primarily due to tax benefits from the valuation allowance release on U.S. deferred tax assets offset by different tax rates in foreign jurisdictions which are indefinitely reinvested.

Quarterly Results of Operations

The following unaudited quarterly statements of operations data for each of the eight quarters in the period ended December 31, 2015 have been prepared on a basis consistent with our audited annual financial statements included in this Annual Report on Form 10-K and include, in our opinion, all normal recurring adjustments necessary for the fair presentation of the financial information contained in those statements. Our historical results are not necessarily indicative of the results that may be expected in the future. The following quarterly financial data should be read in conjunction with our audited financial statements and the related notes included in this Annual Report on Form 10-K.

	Three Months Ended							
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
	(In thousands)							
Revenue:								
Product	$66,598	$60,101	$49,696	$40,237	$67,936	$48,375	$37,683	$24,252
Subscription and services	118,176	105,515	97,511	85,133	75,046	65,836	56,806	49,728
Total revenue	184,774	165,616	147,207	125,370	142,982	114,211	94,489	73,980
Cost of revenue:								
Product	20,915	21,265	17,101	15,200	19,465	15,440	13,749	10,326
Subscription and services	42,260	40,606	39,006	36,851	33,827	29,488	27,831	24,967
Total cost of revenue	63,175	61,871	56,107	52,051	53,292	44,928	41,580	35,293
Total gross profit	121,599	103,745	91,100	73,319	89,690	69,283	52,909	38,687
Operating expenses:								
Research and development	71,690	73,374	68,798	65,605	53,102	54,707	53,408	41,970
Sales and marketing	135,432	117,131	116,008	107,595	118,081	111,625	94,591	76,854
General and administrative	37,978	36,518	34,687	32,607	31,949	30,119	31,931	27,100
Restructuring charges	—	—	—	—	1,558	2,769	—	—
Total operating expenses	245,100	227,023	219,493	205,807	204,690	199,220	179,930	145,924
Operating loss	(123,501)	(123,278)	(128,393)	(132,488)	(115,000)	(129,937)	(127,021)	(107,237)
Interest income	1,319	956	391	269	257	228	183	45
Interest expense	(11,691)	(11,587)	(3,838)	—	(9)	(6)	(4)	(7)
Other expense, net	(725)	(985)	(806)	(768)	(917)	(636)	(329)	(54)
Loss before income taxes	(134,598)	(134,894)	(132,646)	(132,987)	(115,669)	(130,351)	(127,171)	(107,253)
Provision for (benefit from) income taxes	1,550	636	927	977	(9,944)	(10,320)	(10,348)	(6,042)
Net loss attributable to	$(136,148)	$(135,530)	$(133,573)	$(133,964)	$(105,725)	$(120,031)	$(116,823)	$(101,211)

common stockholders								
Net loss per share attributable to common stockholders, basic and diluted	$(0.87)	$(0.88)	$(0.87)	$(0.88)	$(0.72)	$(0.83)	$(0.82)	$(0.76)
Weighted average shares used to compute net loss per share attributable to common stockholders, basic and diluted	156,137	154,523	154,121	151,651	147,746	144,923	141,895	133,976

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	Three Months Ended							
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
	(In thousands)							
Revenue:								
Product	36 %	36 %	34 %	32 %	48 %	42 %	40 %	33 %
Subscription and services	64	64	66	68	52	58	60	67
Total revenue	100	100	100	100	100	100	100	100
Cost of revenue:								
Product	11	13	12	12	13	13	15	14
Subscription and services	23	24	26	30	24	26	29	34
Total cost of revenue	34	37	38	42	37	39	44	48
Total gross profit	66	63	62	58	63	61	56	52
Operating expenses:								
Research and development	39	44	47	52	37	48	56	57
Sales and marketing	73	71	79	86	83	98	100	104
General and administrative	21	22	23	26	22	26	34	36
Restructuring charges	—	—	—	—	1	2	—	—
Total operating expenses	133	137	149	164	143	174	190	197
Operating loss	(67)	(74)	(87)	(106)	(80)	(113)	(134)	(145)
Interest income	1	1	—	—	—	—	—	—
Interest expense	(6)	(7)	(3)	—	—	—	—	—
Other expense, net	(1)	(1)	—	—	(1)	(1)	(1)	—
Loss before income taxes	(73)	(81)	(90)	(106)	(81)	(114)	(135)	(145)
Provision for (benefit from) income taxes	1	1	1	1	(7)	(9)	(11)	(8)
Net loss attributable to common stockholders	(74)%	(82)%	(91)%	(107)%	(74)%	(105)%	(124)%	(137)%

Quarterly Revenue Trends

Our quarterly revenue increased year-over-year for all periods presented, primarily due to increased sales to new customers and continued growth in our installed base of customers. With the exception of the first quarter of 2015, our revenue increased sequentially for all periods presented as well; however, comparisons of our year-over-year quarterly revenue are more meaningful than comparisons of our sequential results, due to seasonality in the sale of our products. Our fourth quarter has historically been our strongest quarter for sales as a result of large enterprise buying patterns, resulting in the lower sequential revenues for the first quarter of 2015 compared to the fourth quarter of 2014. Though our quarterly results have been affected by seasonal trends in the past, as our mix of sales shifts from products to subscriptions and services, we believe that these seasonal trends will affect our quarterly results less in the future.

Quarterly Gross Margin Trends

Consistent with our quarterly revenues, quarterly gross profit increased year-over-year for all periods presented, and, with the exception of the first quarter of 2015, our quarterly gross profit also increased sequentially for all periods presented. Total gross margin, or gross profit as a percentage of revenue, steadily increased each sequential quarter within both 2014 and 2015, other than from the fourth quarter of 2014 to the first quarter of 2015, largely due to the shift in sales mix in product and subscriptions and services between these two periods. We expect these shifts in the mix of sales between products and subscriptions and services to result in fluctuations in our quarterly gross margins in the future.

Quarterly Expense Trends

Total operating expenses increased year-over-year for all periods presented primarily due to the addition of personnel, both through acquisitions and organically, to expand our business and our continuous investment in the system infrastructure required to manage our growth and develop and promote our products and subscription and services. Research and development expense primarily increased on a sequential basis over the periods presented, due to

increased headcount to support continued investment in our future product and subscription and services offerings. Sales and marketing expense primarily increased on a sequential basis over the periods presented, due to increased personnel costs related to headcount increases, higher commissions expense related to higher sales, and an increase in overhead allocations associated with the increased headcount. General and administrative expense primarily increased on a sequential basis over the periods presented, due to increased personnel costs associated with greater headcount to support the requirements of operating as a public company. During the third quarter of 2014 we initiated a series of business restructuring plans to reduce our cost structure and improve efficiency, resulting in workforce reductions and facility consolidations. As a result, our sequential quarterly changes during the second half of 2014 did not increase in-line with the expense increases noted above.

Liquidity and Capital Resources

	As of December 31,	
	2015	2014
	(In thousands)	
Cash and cash equivalents	$402,102	$146,363
Short-term investments	767,775	255,845

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Cash provided by (used in) operating activities	$37,015	$(131,270)	$(69,762)
Cash used in investing activities	(576,749)	(382,511)	(148,469)
Cash provided by financing activities	795,473	486,226	331,949
Net increase (decrease) in cash and cash equivalents	$255,739	$(27,555)	$113,718

As of December 31, 2015, our cash and cash equivalents of $402.1 million were held for working capital, capital expenditures, investment in technology and business acquisition purposes, of which approximately $76.2 million was held outside of the United States. We consider the undistributed earnings from our foreign subsidiaries as of December 31, 2015 to be indefinitely reinvested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plan for reinvestment of our foreign subsidiaries' undistributed earnings.

Prior to our initial public offering ("IPO") in September 2013, we financed our operations primarily through private sales of equity securities and, to a lesser extent, proceeds from our bank facility and cash generated from operations.

In September 2013, we completed our IPO in which we issued and sold 17,450,000 shares of common stock (inclusive of 2,275,000 shares of common stock from the full exercise of the over-allotment option granted to the underwriters) at a price of $20.00 per share. We received aggregate proceeds of $324.6 million from the sale of shares of common stock, net of underwriters' discounts and commissions, but before deducting paid and unpaid offering expenses of approximately $3.6 million.

On December 30, 2013, we acquired privately held Mandiant, a leading provider of advanced endpoint security products and security incident response management solutions. Under the terms of the merger agreement governing the transaction, we delivered to the former security holders of Mandiant merger consideration with an aggregate value equal to approximately $1.02 billion, consisting of approximately $106.5 million in net cash and an aggregate of 21.5 million shares and options to purchase shares of our common stock.

In March 2014, we completed our follow-on public offering in which we issued and sold 5,582,215 shares of common stock at a price of $82.00 per share. We received aggregate proceeds of $446.5 million from the sale of shares of common stock, net of underwriters' discounts and commissions of $11.2 million, but before deducting offering expenses of approximately $2.2 million. Another 8,417,785 shares were sold by certain selling stockholders, which included 796,846 shares sold pursuant to the exercise of vested outstanding options by our employees. We did not receive any of the proceeds from the sales of shares by the selling stockholders.

In May 2014, we acquired privately held nPulse Technologies, a performance leader in network forensics based in Charlottesville, Virginia. This purchase consisted of $55.2 million in cash, $0.1 million of equity awards assumed, and 54,319 shares of our common stock with a fair value of $1.3 million which will vest upon the achievement of certain milestones.

In June 2015, we issued $460.0 million principal amount of 1.000% Convertible Senior Notes due 2035 (the "Series A Notes") and $460.0 million principal amount of 1.625% Convertible Senior Notes due 2035 (the "Series B Notes" and together with the Series A Notes, the "Convertible Senior Notes"), in a private placement to qualified institutional purchasers pursuant to an exemption from registration provided by Section 4(a)(2) and Rule 144A under the Securities Act of 1933, as amended. We received total net proceeds after the initial purchasers' discount and issuance costs of $896.5 million. Although these Notes mature in 2035, under certain circumstances, we may be required to redeem in cash $460.0 million principal amount as early as June 1, 2020 and the other $460.0 million principal amount as early as June 1, 2022. In connection with the issuance of the Convertible Senior Notes, we also entered into privately negotiated prepaid forwards (each a "Prepaid Forward") with one of the initial purchasers of the Convertible Senior

Notes, pursuant to which we paid approximately $150.0 million for approximately 3.3 million shares of our common stock to be settled on or around June 1, 2020 and June 1, 2022, respectively, subject to any early settlement in whole or in part of each Prepaid Forward.

We believe that our existing cash and cash equivalents and short-term investments and any cash inflow from operations will be sufficient to meet our anticipated cash needs, including cash we will consume for operations, for at least the next 12 months. Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced product and service offerings, the cost of any future acquisitions of technology or businesses, and the continuing market acceptance of our products. In the event that additional

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financing is required from outside sources, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results, and financial condition would be adversely affected.

Operating Activities

During the year ended December 31, 2015, our operating activities provided cash of $37.0 million. We incurred a net loss of $539.2 million, which included net non-cash expenses of $357.5 million, primarily consisting of stock-based compensation charges, depreciation and amortization expense and non-cash interest expense related to our convertible senior notes. Our net change in operating assets and liabilities provided cash of $218.8 million, primarily sourced from deferred revenue for $174.5 million as a result of increases in sales of subscriptions and support and maintenance services, accounts receivable for $19.1 million resulting from increased collection efforts and early payment incentives, and accrued liabilities and compensation for $22.2 million as a result of growth in our headcount and business expansion.

During the year ended December 31, 2014, our operating activities used cash of $131.3 million. We incurred a net loss of $443.8 million, which included net non-cash expenses of $208.4 million, primarily consisting of stock-based compensation charges, depreciation and amortization expense, and deferred tax benefit. Our net change in operating assets and liabilities provided cash of $104.1 million, primarily sourced from deferred revenue for $164.7 million as a result of increases in sales of subscriptions and support and maintenance services, and accrued liabilities and compensation for $35.1 million as a result of the growth in our headcount and business expansion, partially offset by the use of cash related to accounts receivable for $97.2 million resulting from growth in our billings.

During the year ended December 31, 2013, our operating activities used cash of $69.8 million. We incurred a net loss of $120.6 million, which included a net non-cash benefit of $4.8 million from our deferred tax benefit, partially offset by stock-based compensation charges and depreciation and amortization. Our net change in operating assets and liabilities provided cash of $55.6 million, primarily sourced from deferred revenue for $95.0 million as a result of increases in sales of subscriptions and support and maintenance services, accounts payable for $11.5 million due to growth in our business and accrued compensation for $19.4 million due to growth in our headcount. Our primary uses of operating cash related to accounts receivable for $35.1 million, resulting from growth in our billings, prepaid and other current assets for $17.2 million, and accrued liabilities for $18.5 million, primarily due to the payment of transaction costs related to the Mandiant acquisition.

Investing Activities

Cash used in investing activities during the year ended December 31, 2015 was $576.7 million, primarily for the purchase of marketable securities to invest a significant portion of the cash received from our convertible senior notes offering, net of maturities, and, to a lesser extent, for capital expenditures to purchase property and equipment and demonstration units.

Cash used in investing activities during the year ended December 31, 2014 was $382.5 million, primarily for the purchase of marketable securities to invest a significant portion of the cash received from our follow-on public offering, net of maturities, and, to a lesser extent, for capital expenditures to purchase property and equipment and demonstration units and for the acquisition of nPulse. This use of cash was partially offset by $31.6 million received from the sale of certain marketable securities.

Cash used in investing activities during the year ended December 31, 2013 was $148.5 million, primarily resulting from the acquisition of Mandiant and from capital expenditures to purchase property and equipment and demonstration units.

Financing Activities

During the year ended December 31, 2015, financing activities provided $795.5 million in cash, primarily from net proceeds of $896.5 million from our convertible senior notes offering, as well as proceeds of $29.1 million from the exercise of employee stock options, net of repurchases. These sources of cash were partially offset by the use of $150.0 million associated with the Prepaid Forward.

During the year ended December 31, 2014, financing activities provided $486.2 million in cash, primarily from net proceeds of $444.3 million from our follow-on public offering, as well as proceeds of $22.7 million from the exercise of employee stock options, net of repurchases.

During the year ended December 31, 2013, financing activities provided $331.9 million in cash, primarily from net proceeds of $321.4 million from our IPO, $10.0 million from the issuance of convertible preferred stock, additional borrowings of $10.0 million under our line of credit, proceeds of $7.3 million from the collection of notes receivable from stockholders as of December 31, 2012 and proceeds of $5.4 million from the exercise of stock options, partially offset by payments of $22.2 million on bank borrowings.

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Contractual Obligations and Commitments

The following summarizes our contractual obligations and commitments as of December 31, 2015:

	Payments Due by Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
		(In thousands)			
Convertible Senior Notes	$989,288	$12,075	$24,150	$481,850	$471,213
Operating leases	53,598	14,513	19,572	11,483	8,030
Purchase obligations	35,920	20,754	15,166	—	—
Contract manufacturer commitments	16,884	16,884	—	—	—
Total	$1,095,690	$64,226	$58,888	$493,333	$479,243

Total future non-cancelable minimum rental payments under operating leases of $53.6 million shown in the table above have not been reduced by future minimum sublease rentals totaling $0.7 million.

Total future payments related to our Convertible Senior Notes of $989.3 million shown in the table above is composed of $460.0 million principal amount of Series A Notes, $460.0 million principal amount of Series B Notes and future interest of $69.3 million. Although the Convertible Senior Notes have a stated maturity of June 1, 2035, they have been reflected in the table above assuming repurchase on June 1, 2020 in the case of the Series A Notes and June 1, 2022 in the case of the Series B Notes (the first date holders have the right to require us to repurchase all or any portion of their Convertible Senior Notes) at 100% of the principal amount plus accrued and unpaid interest as of these dates.

Due to the uncertainty with respect to the timing of future cash flows associated with our unrecognized tax benefits as of December 31, 2015, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Therefore, approximately $2.4 million of unrecognized tax benefits classified as "Other long-term liabilities" in the accompanying consolidated balance sheets as of December 31, 2015, have been excluded from the contractual obligations table above.

Off-Balance Sheet Arrangements

As of December 31, 2015 and 2014, we did not have any relationships with unconsolidated entities or financial partnerships, such as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other purposes.

Segment Information

We have one primary business activity and operate in one reportable segment.

Concentration

For the years ended December 31, 2015, 2014 and 2013, one reseller represented 13%, 11% and 11%, respectively, of our total revenue. For the year ended December 31, 2013, another reseller also represented 11% of our total revenue. For the year ended December 31, 2015, one distributor represented 17% of our total revenue. No distributor represented 10% or greater of our total revenue for the years ended December 31, 2014 and 2013. Our agreements with these distributors and resellers were made in the ordinary course of our business and may be terminated with or without cause by either party with advance notice. Although we believe we would experience some short-term disruption in the distribution of our products and subscriptions and services if these agreements were terminated, we believe such termination would not have a material adverse effect on our financial results and that alternative resellers and other channel partners exist to deliver our products to our end-customers.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected.

The critical accounting policies requiring estimates, assumptions, and judgments that we believe have the most significant impact on our consolidated financial statements are described below.

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Revenue Recognition

We generate revenue from the sales of products, subscriptions, support and maintenance, and other services primarily through our indirect relationships with our partners as well as end customers through a direct sales force. Our products include operating system software that is integrated into the appliance hardware and is deemed essential to its functionality. As a result, we account for product revenue in accordance with Accounting Standards Codification 605, Revenue Recognition, and all related interpretations, as all our security appliance deliverables include proprietary operating system software, which together deliver the essential functionality of our products.

Revenue is recognized when all of the following criteria are met:

- Persuasive Evidence of an Arrangement Exists. We rely upon non-cancelable sales agreements and purchase orders to determine the existence of an arrangement.
- Delivery has Occurred. We use shipping documents or transmissions of service contract registration codes to verify delivery.
- The Fee is Fixed or Determinable. We assess whether the fee is fixed or determinable based on the payment terms associated with the transaction.
- Collectability is Reasonably Assured. We assess collectability based on credit analysis and payment history.

Our products include principal security product families that address critical vectors of attack, including Web, email, endpoint, file and mobile. Our Network Threat Prevention, Endpoint Threat Prevention, File Content Security, Malware Analysis System, Network Forensics Platform, Investigation Analysis System and Central Management System, and beginning in June 2014 our Email Threat Prevention, appliances and subscription services qualify as separate units of accounting. Therefore, revenue from the sale of these products is recognized at the time of shipment. Historically, our Email Threat Prevention appliance could not function without the use of our Email Threat Prevention Attachment/URL Engine, which analyzes email attachments and URLs embedded in emails for next-generation threats. As such, our Email Threat Prevention and related services previously did not have stand-alone value and did not qualify as separate units of accounting. Therefore, Email Threat Prevention product revenue had historically been recognized ratably over the longer of the contractual term of the subscription services or the estimated period the customer was expected to benefit from the product, provided that all other revenue recognition criteria had been met. Beginning in June 2014, we started shipping all Email Threat Prevention appliances with software that allows customers to benefit from the product without the associated subscription services, and therefore, consistent with our Network and Endpoint Threat Prevention and File Content Security appliances, revenue from Email Threat Prevention appliances is now recognized at the time of shipment.

At the time of shipment, product revenue generally meets the criteria for fixed or determinable fees as our partners receive an order from an end-customer prior to placing an order with us. In addition, payment from our partners is not contingent on the partners' collection from their end-customers. Our partners do not stock products and do not have any stock rotation rights. We recognize subscription and support and maintenance services revenue ratably over the contractual service period, which is typically one or three years. Professional services revenue, including incident response and related consulting services for our customers who have experienced a cybersecurity breach or who require assistance assessing the vulnerability of their networks, and training services revenue is recognized as the services are rendered.

Most of our arrangements, other than renewals of subscriptions and support and maintenance services, are multiple-element arrangements with a combination of product, subscriptions, support and maintenance, and other services. For multiple-element arrangements, we allocate revenue to each unit of accounting based on an estimated selling price at the arrangement inception. The estimated selling price for each element is based upon the following hierarchy: vendor-specific objective evidence, or VSOE, of selling price, if available, third-party evidence, or TPE, of selling price, if VSOE of selling price is not available, or best estimate of selling price, or BESP, if neither VSOE of selling price nor TPE of selling price are available. The total arrangement consideration is allocated to each separate unit of accounting using the relative estimated selling prices of each unit based on the aforementioned selling price hierarchy. We limit the amount of revenue recognized for delivered elements to an amount that is not contingent upon future delivery of additional products or services or meeting of any specified performance conditions.

To determine the estimated selling price in multiple-element arrangements, we seek to establish VSOE of selling price using the prices charged for a deliverable when sold separately and, for subscriptions and support and maintenance, based on the renewal rates and discounts offered to partners. If VSOE of selling price cannot be established for a deliverable, we seek to establish TPE of selling price by evaluating similar and interchangeable competitor products or services in standalone arrangements with similarly situated partners. However, as our products contain a significant element of proprietary technology and offer substantially different features and functionality from our competitors, we are unable to obtain comparable pricing of our competitors' products with similar functionality on a stand-alone basis. Therefore, we have not been able to obtain reliable evidence of TPE of selling price. If neither VSOE nor TPE of selling price can be established for a deliverable, we establish BESP primarily based on historical transaction pricing. Historical transactions are segregated based on our pricing model and our go-to-market strategy, which include factors such as type of sales channel (reseller, distributor, or end-customer), the geographies in which our products and services were sold (domestic

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or international), offering type (products or services), and whether or not the opportunity was identified by our sales force or by our partners. In analyzing historical transaction pricing, we evaluate whether a majority of the prices charged for a product, as represented by a percentage of list price, fall within a reasonable range. To further support the BESP of selling price as determined by the historical transaction pricing or when such information is unavailable, such as when there are limited sales of a new product, we consider the same factors we have established through our pricing model and go-to-market strategy. The determination of BESP is made through consultation with and approval by our management. We have established the estimated selling price of all of our deliverables using BESP.
Shipping charges billed to partners are included in revenue and related costs are included in cost of revenue. Sales commissions and other incremental costs to acquire contracts are also expensed as incurred. After receipt of a partner order, any amounts billed in excess of revenue recognized are recorded as deferred revenue.
Stock-Based Compensation
Compensation expense related to stock-based transactions, including employee and non-employee director stock options, is measured and recognized in the financial statements based on the fair value of the awards granted. The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model and a single option award approach. The fair value of stock options granted to non-employees is remeasured as the stock options vest, and the resulting change in value, if any, is recognized in the statement of operations during the period the related services are rendered. Stock-based compensation expense is recognized, net of forfeitures, over the requisite service periods of the awards, which is generally four years.
Our use of the Black-Scholes option-pricing model requires the input of highly subjective assumptions, including the fair value of the underlying common stock prior to our IPO in September 2013, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock. The assumptions used in our option-pricing model represent management’s best estimates. These estimates involve inherent uncertainties and the application of management’s judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future. These assumptions and estimates are as follows:

- Fair Value of Common Stock. Because our common stock was not publicly traded until September 20, 2013, we were required to estimate the fair value of common stock for grants made prior to that date, as discussed in “Common Stock Valuations” below.
- Risk-Free Interest Rate. We base the risk-free interest rate used in the Black-Scholes option-pricing model on the implied yield available on U.S. Treasury zero-coupon issues with a remaining term equivalent to that of the options for each option group.
- Expected Term. The expected term represents the period that our stock-based awards are expected to be outstanding. We base the expected term assumption on our historical exercise behavior combined with estimates of the post-vesting holding period.
- Volatility. We determine the price volatility factor based on the historical volatilities of our publicly traded peer group as we do not have a significant trading history for our common stock. Industry peers consist of several public companies in the technology industry that are similar to us in size, stage of life cycle, and financial leverage. We used the same set of peer group companies in all the relevant valuation estimates. We did not rely on implied volatilities of traded options in our industry peers’ common stock because the volume of activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.
- Dividend Yield. The expected dividend assumption is based on our current expectations about our anticipated dividend policy. Consequently, we used an expected dividend yield of zero.

See Note 11 for the assumptions used in the Black-Scholes option-pricing model to determine the fair value of our stock options granted for the years ended December 31, 2015, 2014 and 2013.
In addition to the assumptions used in the Black-Scholes option-pricing model, we must also estimate a forfeiture rate to calculate the stock-based compensation expense for our awards. Our estimated forfeiture rate is based on an analysis of our actual forfeitures. We will continue to evaluate the appropriateness of the forfeiture rate based on

actual forfeiture experience, analysis of employee turnover, and other factors. Quarterly changes in the estimated forfeiture rate can have a significant impact on our stock-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate is changed. If a revised forfeiture rate is higher than the previously estimated forfeiture rate, an adjustment is made that will result in a decrease to the stock-based compensation expense recognized in the financial statements. If a revised forfeiture rate is lower than the previously

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estimated forfeiture rate, an adjustment is made that will result in an increase to the stock-based compensation expense recognized in the financial statements.

We estimate the fair value of the rights to acquire stock under our ESPP using the Black-Scholes option pricing formula. Our ESPP typically provides for consecutive twelve-month offering periods and we use our peer group volatility data in the valuation of ESPP shares. We recognize such compensation expense on a straight-line basis over the requisite service period.

We account for the fair value of restricted stock units (“RSUs”) using the closing market price of our common stock on the date of grant. For new-hire grants, RSUs generally vest ratably on an annual basis over four years. For annual refresh grants, RSUs generally vest ratably on an annual, or combination of annual and quarterly, basis over two to four years.

We account for the fair value of performance stock units ("PSUs") using the closing market price of our common stock on the date of grant. We begin recognizing compensation expense when we conclude that it is probable that the performance conditions will be achieved. We reassess the probability of vesting at each reporting period and adjust our compensation cost based on this probability assessment.

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may have refinements to our estimates which could materially impact our future stock-based compensation expense.

Income Taxes

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and research and development credit carryforwards. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

We apply the authoritative accounting guidance prescribing a threshold and measurement attribute for the financial recognition and measurement of a tax position taken or expected to be taken in a tax return. We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement.

Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences may impact the provision for income taxes in the period in which such determination is made.

Significant judgment is also required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence, including scheduled reversal of deferred tax liabilities, past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. For the year ended December 31, 2015 and 2014, we recorded federal and state and certain foreign valuation allowances on deferred tax assets in excess of the scheduled future reversal of our acquisition-related deferred tax liabilities.

Estimates of future taxable income are based on assumptions that are consistent with our plans. Assumptions represent management’s best estimates and involve inherent uncertainties and the application of management’s judgment. Should actual amounts differ from our estimates, the amount of our tax expense and liabilities could be materially impacted.

We do not provide for a U.S. income tax liability on undistributed foreign earnings of our foreign subsidiaries. The earnings of non-U.S. subsidiaries are indefinitely reinvested in non-U.S. operations.

Contract Manufacturer Liabilities

We outsource most of our manufacturing, repair, and supply chain management operations to our independent contract manufacturers and payments to them are a significant portion of our product cost of revenue. Although we

could be contractually obligated to purchase manufactured products, we generally do not own the manufactured products. Product title transfers from our independent contract manufacturers to us and immediately to our partners upon shipment. Our independent contract manufacturers assemble our products using design specifications, quality assurance programs, and standards that we establish, and they procure components and assemble our products based on our demand forecasts. These forecasts represent our estimates of future demand for our products based upon historical trends and analysis from our sales and product management functions as adjusted for overall market conditions. If the actual component usage and product demand are significantly lower than forecast, we accrue for costs for contractual

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manufacturing commitments in excess of our forecasted demand, including costs for excess components or for carrying costs incurred by our contract manufacturers. To date, we have not accrued any significant costs associated with this exposure.

Loss Contingencies

We are subject to the possibility of various loss contingencies arising in the ordinary course of business. We consider the likelihood of loss or impairment of an asset, or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss, in determining loss contingencies. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If we determine that a loss is possible and the range of the loss can be reasonably determined, then we disclose the range of the possible loss. We regularly evaluate current information available to us to determine whether an accrual is required, an accrual should be adjusted or a range of possible loss should be disclosed.

Warranties

We generally provide a one-year warranty on hardware. We do not accrue for potential warranty claims as a component of cost of product revenue as all product warranty claims are satisfied under our support and maintenance contracts.

Goodwill

Goodwill is the excess of the aggregate purchase price paid over the fair value of the net tangible assets acquired. Goodwill is not amortized and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We have determined that we operate as one reporting unit and have selected December 1 as the date to perform our annual impairment test. In the valuation of our goodwill, we must make assumptions regarding estimated future cash flows to be derived from our business. If these estimates or their related assumptions change in the future, we may be required to record impairment for these assets. The first step of the impairment test involves comparing the fair value of the reporting unit to its net book value, including goodwill. If the net book value exceeds its fair value, then we would perform the second step of the goodwill impairment test to determine the amount of the impairment loss. The impairment loss would be calculated by comparing our implied fair value to our net book value. In calculating our implied fair value of goodwill, our fair value would be allocated to all of the other assets and liabilities based on their fair values. The excess of our fair value over the amount assigned to our other assets and liabilities is the implied fair value of goodwill. An impairment loss would be recognized when the carrying amount of goodwill exceeds its implied fair value. There was no impairment of goodwill recorded for the years ended December 31, 2015, 2014 or 2013.

Business Combinations

We account for all of our acquisitions using the acquisition method as required under the provisions of FASB ASC 805, Business Combinations. The fair value of purchase consideration is allocated to the tangible assets acquired, liabilities assumed and intangible assets acquired, based on their estimated fair values. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill.

When determining the fair value of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. Critical estimates in valuing certain identifiable assets include, but are not limited to, expected long-term market growth, customer retention, future expected operating expenses, costs of capital, and appropriate discount rates. Management’s estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Recent Accounting Pronouncements

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes. This standard requires companies to present deferred tax assets and deferred tax liabilities as noncurrent on the Balance Sheet, simplifying current guidance which required separate presentation of deferred tax assets and deferred tax liabilities as current and noncurrent. The guidance is effective for us beginning in the first quarter of 2017, and may be applied prospectively or retrospectively at the Company's election. Early adoption is permitted.

We elected to early adopt this standard in the fourth quarter of 2015, and have applied the guidance on a prospective basis. As such, prior period financial statements have not been retrospectively adjusted. The adoption of this standard has resulted in the reclassification of our net current deferred tax asset to a net non-current deferred tax asset on the

consolidated balance sheets as of December 31, 2015.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This standard eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Under this guidance, measurement-period adjustments will be recognized during the period in which they are determined. The guidance is effective for us beginning in the first quarter of 2016. The adoption of this standard is not expected to have a significant impact on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs. This standard requires companies to present debt issuance costs on the balance sheet as a direct deduction from

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the related liability, consistent with the presentation of debt discounts, rather than as an asset. Amortization of such costs will continue to be reported as interest expense. The guidance is effective for us beginning in the first quarter of 2016, and requires retrospective application to all prior periods presented in the financial statements. Early adoption is permitted.

We elected to early adopt this standard in the second quarter of 2015, concurrent with the issuance of our Convertible Senior Notes. As such, the issuance costs determined attributable to the liability component of our Convertible Senior Notes have been recorded as a direct deduction from the carrying amount of the notes liability (See Note 8). The adoption of this standard has no impact on any prior period financial statements presented, as we did not previously incur any debt issuance costs.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This standard provides a single model for revenue arising from contracts with customers and supersedes current revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB decided to defer the effective date by one year, and as a result, the guidance is effective for us beginning in the first quarter of 2018. Early adoption as of the original effective date would be permitted. The guidance permits companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. We are currently evaluating the impact the adoption will have on our consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU No. 2014-15, Disclosures of Uncertainties About an Entity’s Ability to Continue as a Going Concern. This standard provides guidance on how and when reporting entities must disclose going-concern uncertainties in their financial statements. The guidance is effective for us beginning in the first quarter of 2017. Early adoption is permitted. The adoption of this standard is not expected to have an impact on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Risk

Our sales contracts are primarily denominated in U.S. dollars. A portion of our operating expenses are incurred outside the United States and are denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Indian Rupee, British Pound Sterling, Japanese Yen and Euro. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statement of operations. The effect of a hypothetical 10% adverse change in foreign exchange rates on monetary assets and liabilities at December 31, 2015 would not be material to our financial condition or results of operations. To date, foreign currency transaction gains and losses and exchange rate fluctuations have not been material to our financial statements, and we have not engaged in any foreign currency hedging transactions.

As our international operations continue to grow, our risks associated with fluctuations in currency rates will become greater, and we will continue to reassess our approach to managing this risk. In addition, currency fluctuations or a weakening U.S. dollar can increase the costs of our international expansion, and the currently strengthening U.S. dollar could slow international demand as products and services priced in U.S. dollars become more expensive.

Interest Rate Risk

We had cash and cash equivalents and investments of $1,169.9 million and $402.2 million as of December 31, 2015 and 2014, respectively, consisting of bank deposits, money market funds, certificates of deposit and bonds issued by corporate institutions and U.S. government agencies. Such interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in interest income have not been significant.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates.

Our cash flow exposure due to changes in interest rates related to our debt is limited as our Convertible Senior Notes have fixed interest rates at 1.000% and 1.625%. The fair value of the Convertible Senior Notes may increase or decrease for various reasons, including fluctuations in the market price of our common stock, fluctuations in market interest rates and fluctuations in general economic conditions. Based upon the quoted market price as of December 31, 2015, the fair value of our Convertible Senior Notes was approximately $766.5 million. We had no debt outstanding as of December 31, 2014

A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our financial statements.

Item 8. Financial Statements and Supplementary Data

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Certain supplementary financial information required by this Item 8 is included in Item 7 under the caption “Quarterly Results of Operations.”

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
FireEye, Inc.
Milpitas, California

We have audited the accompanying consolidated balance sheets of FireEye, Inc. and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of FireEye, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
February 26, 2016

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FIREEYE, INC.
Consolidated Balance Sheets
(In thousands, except per share data)

	As of December 31,	
	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$402,102	$146,363
Short-term investments	767,775	255,845
Accounts receivable, net of allowance for doubtful accounts of $2,021 and $586 at December 31, 2015 and 2014, respectively	172,752	193,182
Inventories	13,747	7,952
Deferred tax assets, current portion	—	25,126
Prepaid expenses and other current assets	30,883	28,669
Total current assets	1,387,259	657,137
Property and equipment, net	78,368	82,298
Goodwill	750,288	750,288
Intangibles assets, net	214,560	261,625
Deposits and other long-term assets	10,998	7,533
TOTAL ASSETS	$2,441,473	$1,758,881
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$43,650	$34,057
Accrued and other current liabilities	29,820	24,596
Accrued compensation	79,294	64,551
Deferred revenue, current portion	305,169	203,877
Total current liabilities	457,933	327,081
Convertible senior notes, net	706,198	—
Deferred revenue, non-current portion	221,829	148,666
Deferred tax liabilities, non-current portion	—	24,903
Other long-term liabilities	11,141	7,403
Total liabilities	1,397,101	508,053
Commitments and contingencies (NOTE 9)		
Stockholders' equity:		
Convertible preferred stock, par value of $0.0001 per share; 100,000 shares authorized, none issued or outstanding as of December 31, 2015 and 2014	—	—
Common stock, par value of $0.0001 per share; 1,000,000 shares authorized, 161,643 and 152,860 shares issued and outstanding as of December 31, 2015 and 2014, respectively	16	15
Additional paid-in capital	2,403,088	1,918,546
Treasury stock, at cost; 3,333 shares and no shares as of December 31, 2015 and 2014, respectively	(150,000)	—
Accumulated other comprehensive loss	(2,225)	(441)
Accumulated deficit	(1,206,507)	(667,292)
Total stockholders' equity	1,044,372	1,250,828
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$2,441,473	$1,758,881

See accompanying notes to the consolidated financial statements.

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Explanation of Responses:

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FIREEYE, INC.
Consolidated Statements of Operations
(In thousands, except per share data)

	Year Ended December 31,		
	2015	2014	2013
Revenue:			
Product	$216,632	$178,246	$88,253
Subscription and services	406,335	247,416	73,299
Total revenue	622,967	425,662	161,552
Cost of revenue:			
Product	74,481	58,980	28,912
Subscription and services	158,723	116,113	18,853
Total cost of revenue	233,204	175,093	47,765
Total gross profit	389,763	250,569	113,787
Operating expenses:			
Research and development	279,467	203,187	66,036
Sales and marketing	476,166	401,151	167,466
General and administrative	141,790	121,099	52,503
Restructuring charges	—	4,327	—
Total operating expenses	897,423	729,764	286,005
Operating loss	(507,660)	(479,195)	(172,218)
Interest income	2,935	713	68
Interest expense	(27,116)	(26)	(525)
Other expense, net	(3,284)	(1,936)	(7,257)
Loss before income taxes	(535,125)	(480,444)	(179,932)
Provision for (benefit from) income taxes	4,090	(36,654)	(59,297)
Net loss attributable to common stockholders	$(539,215)	$(443,790)	$(120,635)
Net loss per share attributable to common stockholders, basic and diluted	$(3.50)	$(3.12)	$(2.66)
Weighted average shares used to compute net loss per share attributable to common stockholders, basic and diluted	154,120	142,176	45,271

See accompanying notes to the consolidated financial statements.

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FIREEYE, INC

Consolidated Statements of Comprehensive Loss

(In thousands)

	Year Ended December 31,		
	2015	2014	2013
Net loss	$(539,215)	$(443,790)	$(120,635)
Change in net unrealized loss on available-for-sale investments, net of tax	(1,784)	(441)	—
Comprehensive loss	$(540,999)	$(444,231)	$(120,635)

See accompanying notes to the consolidated financial statements.

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FIREEYE, INC.
Consolidated Statement of Stockholders' Equity
(In thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock	Notes Receivable from Stockholders	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2012	64,115	$6	22,435	$2	$109,252	$—	$(1,003)	$—	$(102,867)	$5,390
Issuance of common stock in connection with initial public offering, net of offering costs	—	—	17,450	2	320,977	—	—	—	—	320,979
Conversion of convertible preferred stock to common stock in connection with initial public offering	(64,590)	(6)	74,222	7	(1)	—	—	—	—	—
Conversion of preferred stock warrant to common stock warrant in connection with initial public offering	—	—	—	—	10,067	—	—	—	—	10,067
Issuance of common stock related to the acquisition of Secure DNA Managed Services, Inc.	—	—	50	—	800	—	—	—	—	800
Issuance of common stock related to the acquisition of Mandiant, Inc.	—	—	16,921	2	791,115	—	—	—	—	791,117
Payment of note receivable from stockholder,	—	—	—	—	828	—	1,003	—	—	1,831

net of early exercises										
Net proceeds from issuance of Series F convertible preferred stock	475	—	—	—	4,994	—	—	—	—	4,994
Issuance of common stock for equity awards, net of repurchases	—	—	6,680	1	2,393	—	—	—	—	2,394
Vesting of early exercise of equity awards	—	—	—	—	2,307	—	—	—	—	2,307
Stock-based compensation	—	—	—	—	28,858	—	—	—	—	28,858
Net loss	—	—	—	—	—	—	—	—	(120,635)	(120,635)
Balance at December 31, 2013	—	—	137,758	14	1,271,590	—	—	—	(223,502)	1,048,102
Issuance of common stock in connection with follow-on public offering, net of offering costs	—	—	5,582	—	444,295	—	—	—	—	444,295
Issuance of common stock for equity awards, net of repurchases and tax withholdings	—	—	8,030	1	20,658	—	—	—	—	20,659
Issuance of common stock related to nPulse Technologies, Inc. acquisition	—	—	296	—	1,398	—	—	—	—	1,398
Issuance of common stock related to employee stock purchase plan	—	—	1,194	—	21,228	—	—	—	—	21,228
Assumption of vested options related to the acquisition of	—	—	—	—	3,135	—	—	—	—	3,135

Mandiant, Inc.										
Vesting of early exercise of equity awards	—	—	—	—	4,390	—	—	—	—	4,390
Stock-based compensation	—	—	—	—	151,852	—	—	—	—	151,852
Unrealized loss on investments	—	—	—	—	—	—	—	(441)	—	(441)
Net loss	—	—	—	—	—	—	—	—	(443,790)	(443,790)
Balance at December 31, 2014	—	—	152,860	15	1,918,546	—	—	(441)	(667,292)	1,250,828
Issuance of common stock for equity awards, net of repurchases and tax withholdings	—	—	7,786	1	27,062	—	—	—	—	27,063
Issuance of common stock related to employee stock purchase plan	—	—	997	—	21,880	—	—	—	—	21,880
Excess tax benefit on vesting of awards and options exercised	—	—	—	—	809	—	—	—	—	809
Equity component of convertible senior notes, net	—	—	—	—	210,401	—	—	—	—	210,401
Prepaid forward stock purchase	—	—	—	—	—	(150,000)	—	—	—	(150,000)
Vesting of early exercise of equity awards	—	—	—	—	2,271	—	—	—	—	2,271
Stock-based compensation	—	—	—	—	222,119	—	—	—	—	222,119
Unrealized loss on investments	—	—	—	—	—	—	—	(1,784)	—	(1,784)
Net loss	—	—	—	—	—	—	—	—	(539,215)	(539,215)
Balance at December 31, 2015	—	$—	161,643	$16	$2,403,088	$(150,000)	$—	$(2,225)	$(1,206,507)	$1,044,372

See accompanying notes to the consolidated financial statements.

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FIREEYE, INC.

Consolidated Statements of Cash Flows

(In thousands)

	Year ended December 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(539,215)	$(443,790)	$(120,635)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	111,956	94,136	20,758
Stock-based compensation	222,119	151,852	28,858
Non-cash interest expense related to convertible senior notes	20,069	—	—
Deferred income taxes	(1,353)	(39,869)	(61,028)
Other	4,672	2,261	6,648
Changes in operating assets and liabilities, net of assets acquired and liabilities assumed in business combinations:			
Accounts receivable	19,126	(97,165)	(35,145)
Inventories	(7,820)	(2,024)	(3,089)
Prepaid expenses and other assets	(675)	1,450	(17,219)
Accounts payable	7,705	(3,193)	11,504
Accrued liabilities	7,495	11,403	(18,488)
Accrued compensation	14,742	23,658	19,381
Deferred revenue	174,455	164,728	95,010
Other long-term liabilities	3,739	5,283	3,683
Net cash provided by (used in) operating activities	37,015	(131,270)	(69,762)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of business, net of cash acquired	—	(55,058)	(89,240)
Purchase of property and equipment and demonstration units	(54,549)	(67,715)	(57,560)
Purchase of short-term investments	(769,097)	(390,360)	—
Maturity of short-term investments	245,116	99,541	—
Sale of short-term investments	4,807	31,577	—
Purchase of investment in private company	(1,800)	—	—
Lease deposits	(1,226)	(496)	(1,669)
Net cash used in investing activities	(576,749)	(382,511)	(148,469)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from initial public offering	—	—	321,389
Net proceeds from follow-on public offering	—	444,338	—
Net proceeds from issuance of convertible senior notes	896,530	—	—
Prepaid forward stock purchase	(150,000)	—	—
Borrowing from line of credit	—	—	10,000
Repayment of line of credit	—	—	(20,000)
Repayment of term loan	—	—	(2,150)
Net proceeds from issuance of convertible preferred stock	—	—	9,988
Taxes for net settlement of equity awards	(2,027)	(2,058)	—
Proceeds from employee stock purchase plan	21,880	21,228	—
Proceeds from exercise of equity awards	29,090	22,718	5,428
Repayment of notes receivable from stockholders	—	—	7,294
Net cash provided by financing activities	795,473	486,226	331,949

Net change in cash and cash equivalents	255,739	(27,555)	113,718
Cash and cash equivalents, beginning of year	146,363	173,918	60,200
Cash and cash equivalents, end of year	$402,102	$146,363	$173,918
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for income taxes	$2,686	$2,489	$474
Cash paid for interest	$6,004	$27	$578
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Deferred initial public offering costs in accounts payable and accrued liabilities	$—	$43	$412
Common stock issued in connection with acquisitions	$—	$1,398	$791,917
Conversion of preferred stock warrants to common stock warrants	$—	$—	$10,067
Purchases of property and equipment and demonstration units in accounts payable	$8,604	$6,716	$6,435

See accompanying notes to the consolidated financial statements.

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FIREEYE, INC.
Notes to Consolidated Financial Statements

1. Description of Business and Summary of Significant Accounting Policies
Description of Business
FireEye, Inc., with principal executive offices located in Milpitas, California, was incorporated as NetForts, Inc. on February 18, 2004, under the laws of the State of Delaware, and changed its name to FireEye, Inc. on September 7, 2005.
FireEye, Inc. and its wholly owned subsidiaries (collectively, the “Company”, “we”, “us” or “our”) is a leader in stopping advanced cyber attacks that use advanced malware, zero-day exploits, and APT (“Advanced Persistent Threat”) tactics. Our solutions supplement traditional and next-generation firewalls, IPS (“Intrusion Prevention Systems”), anti-virus, and gateways, which cannot stop advanced threats, leaving security holes in networks. We offer a solution that detects and blocks attacks across both Web and email threat vectors as well as latent malware resident on file shares. Our solutions address all stages of an attack lifecycle with a signature-less engine utilizing stateful attack analysis to detect zero-day threats.
In September 2013, we completed our initial public offering (“IPO”) in which we issued and sold 17,450,000 shares of common stock (inclusive of 2,275,000 shares of common stock from the full exercise of the over-allotment option granted to the underwriters) at a price of $20.00 per share. We received aggregate proceeds of $324.6 million from the sale of shares of common stock, net of underwriters’ discounts and commissions of $24.4 million, but before deducting paid and unpaid offering expenses of approximately $3.6 million. Immediately prior to the closing of the IPO, all shares of our outstanding convertible preferred stock automatically converted into 74,221,533 shares of common stock.
On December 30, 2013, we acquired privately held Mandiant Corporation (“Mandiant”), a leading provider of advanced endpoint security products and security incident response management solutions. The operations of Mandiant's business were integrated with our own and Mandiant's financial results were included in our consolidated financial statements as of the acquisition date.
In March 2014, we completed our follow-on public offering in which we issued and sold 5,582,215 shares of common stock at a price of $82.00 per share. We received aggregate proceeds of $446.5 million from the sale of shares of common stock, net of underwriters’ discounts and commissions of $11.2 million, but before deducting offering expenses of approximately $2.2 million. Another 8,417,785 shares were sold by certain selling stockholders, which included 796,846 shares sold pursuant to the exercise of vested outstanding options by our employees. We did not receive any of the proceeds from the sales of shares by the selling stockholders.
In June 2015, we issued $460.0 million principal amount of 1.000% Convertible Senior Notes due 2035 (the "Series A Notes") and $460.0 million principal amount of 1.625% Convertible Senior Notes due 2035 (the "Series B Notes" and together with the Series A Notes, the "Convertible Senior Notes"), in a private placement to qualified institutional purchasers pursuant to an exemption from registration provided by Section 4(a)(2) and Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). We recognized total net proceeds after the initial purchasers' discount and issuance costs of $896.5 million. In connection with the issuance of the Convertible Senior Notes, we also entered into privately negotiated prepaid forward stock purchase transactions (each a “Prepaid Forward”) with one of the initial purchasers of the Convertible Senior Notes, pursuant to which we paid approximately $150.0 million. The amount prepaid is equivalent to approximately 3.3 million shares which are to be settled on or around June 1, 2020 and June 1, 2022, respectively, subject to any early settlement in whole or part of each Prepaid Forward.
We sell the majority of our products, subscriptions and services to end-customers through distributors, resellers, and strategic partners, with a lesser percentage of sales directly to end-customers.
Basis of Presentation and Consolidation
The consolidated financial statements include the accounts of FireEye, Inc. and its wholly owned subsidiaries and have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Such management estimates include, but are not limited to, the best estimate of selling price for our products, subscriptions and services, commissions expense, bonus expense, future taxable income, contract manufacturer liabilities, litigation and settlement costs and other loss contingencies, fair value of equity awards, achievement of targets for performance stock units, fair value of the liability and equity components of Convertible Senior Notes and the purchase price allocation of acquired businesses. We base our estimates on historical experience and also on assumptions that we believe are reasonable. Changes in facts or circumstances may cause us to change our assumptions and estimates in future periods, and it is possible that actual results could differ from current or revised future estimates.

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Concentrations

Financial instruments that subject us to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, and accounts receivable. We maintain a substantial portion of our cash and cash equivalents in money market funds invested in U.S. Treasury related obligations. Management believes that these financial institutions are financially sound and, accordingly, are subject to minimal credit risk. Deposits held with banks may exceed the amount of insurance provided on such deposits.

Our short-term investments primarily consist of notes and bonds issued by corporate institutions and U.S. Government agencies. All of our investments are highly-rated by credit rating agencies and are issued by organizations with reputable credit, and therefore bear minimal credit risk.

Our accounts receivables are primarily derived from a diverse set of customers across various geographical locations. We perform ongoing credit evaluations of our customers and generally do not require collateral on accounts receivable. We maintain an allowance for doubtful accounts for estimated potential credit losses. See Note 16 for information on major customers.

We rely primarily on a single contract manufacturer to assemble our products. In some cases we rely on sole suppliers for a certain number of our components.

Foreign Currency Translation and Transactions

The functional currency of our foreign subsidiaries is the U.S. dollar. We translate all monetary assets and liabilities denominated in foreign currencies into U.S. dollars using the exchange rates in effect at the balance sheet dates and other assets and liabilities using historical exchange rates.

Foreign currency denominated revenue and expenses have been re-measured using the average exchange rates in effect during each period. Foreign currency re-measurement gains and losses have been included in other income (expense) and have not been significant for the years ended December 31, 2015, 2014 and 2013.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less at date of purchase to be cash equivalents. We determine the appropriate classification of our investments at the time of purchase, and evaluate such designation at each balance sheet date.

Short-term Investments

We classify our investments in debt and equity securities as available-for-sale and record these investments at fair value. Investments with an original maturity of three months or less at the date of purchase are considered cash equivalents, while all other investments are classified as short-term or long-term based on the nature of the investments, their maturities, and their availability for use in current operations. Unrealized gains and losses are reported as a component of other comprehensive loss. Realized gains and losses are determined based on the specific identification method, and are reflected in our Consolidated Statements of Operations. We regularly review our investment portfolio to identify and evaluate investments that have indicators of possible impairment. Factors considered in determining whether a loss is other-than-temporary include, but are not limited to: the length of time and extent a security’s fair value has been below its cost, the financial condition and near-term prospects of the investee, the credit quality of the security’s issuer, likelihood of recovery and our intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in value. For our debt instruments, we also evaluate whether we have the intent to sell the security or it is more likely than not that we will be required to sell the security before recovery of its cost basis.

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. Fair value is calculated based on publicly available market information or other estimates determined by management. If the cost of an investment exceeds its fair value, we evaluate, among other factors, general market conditions, credit quality of debt instrument issuers, the duration and extent to which the fair value is less than cost, and whether we have plans to sell the security, or it is more likely than not that we will be required to sell the security, before recovery. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to other income (expense) and a new cost basis in the investment is established.

Fair Value of Financial Instruments

We define fair value as the price that would be received from selling an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. When determining the fair value

measurements for assets and liabilities which are required to be recorded at fair value, we consider the principal or most advantageous market in which to transact and the market-based risk. We apply fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The carrying amounts reported in the consolidated financial statements approximate the fair value for cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, due to their short-term nature.

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Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount, net of allowances for doubtful accounts. The allowance for doubtful accounts is based on our assessment of the collectability of accounts. Management regularly reviews the adequacy of the allowance for doubtful accounts by considering the age of each outstanding invoice, each partner's expected ability to pay, and the collection history with each partner, when applicable, to determine whether a specific allowance is appropriate. Accounts receivable deemed uncollectible are charged against the allowance for doubtful accounts when identified.

Inventories

Inventories are stated at the lower of cost or market. Provisions have been made to reduce all slow-moving, obsolete or unusable inventories to their net realizable values. We purchase completed units from contract manufacturers. Accordingly, substantially all inventories are finished goods with an immaterial balance of replacement parts. As of December 31, 2015 and 2014, the provisions for excess and obsolete inventories were not significant.

Deferred Costs of Revenue

Deferred cost of revenue consists of direct and incremental costs related to product revenue deferred in accordance with the Company's revenue recognition policy. Deferred cost of revenue that will be realized within the succeeding 12 month period is classified as current, and included in prepaid expenses and other current assets on the consolidated balance sheets. The remaining balance is classified as non-current, and included in deposits and other long-term assets.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally two to five years.

The estimated useful lives of property and equipment are described below:

Property and Equipment	Useful Life
Computer equipment and software	2 to 5 years
Leasehold improvements	Shorter of estimated useful life or remaining lease term
Furniture and fixtures	5 years
Machinery and equipment	2 to 5 years

Demonstration Units

Product demonstration units are included in prepaid expenses and other current assets on the consolidated balance sheets. Demonstration units are recorded at cost and are amortized over the estimated useful life from the date of transfer from inventory, generally 12 months. We generally do not resell units that have been used for demonstration purposes.

Impairment of Long-Lived Assets

We evaluate events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances occur, we assess the recoverability of long-lived assets by determining whether or not the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future undiscounted cash flows is less than the carrying amount of an asset, we record an impairment charge for the amount by which the carrying amount of the assets exceeds the fair value of the asset. Through December 31, 2015 we have not written down any of our long-lived assets as a result of impairment.

Business Combinations

We have accounted for all of our acquisitions using the acquisition method as required under the provisions of FASB ASC 805, Business Combinations. The Company allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired, based on their estimated fair values. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill.

When determining the fair value of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. Critical estimates in valuing certain identifiable assets include, but are not limited to, expected long-term market growth, future expected operating expenses, costs of capital, and appropriate discount rates. Management's estimates of fair value are based upon assumptions believed to be

reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Goodwill and Purchased Intangibles
Goodwill represents the excess of the aggregate purchase price paid over the fair value of the net tangible assets acquired. Goodwill is not amortized and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company has determined that it operates as one reporting unit and has selected December 1 as the date to perform its annual impairment test.
In the valuation of its goodwill, the Company must make assumptions regarding estimated future cash flows to be derived from the Company. If these estimates or their related assumptions change in the future, the Company may be required to record impairment for these assets. The first step of the impairment test involves comparing the fair value of the reporting unit to its net book value, including goodwill. If the net book value exceeds its fair value, then the Company would perform the second step of the goodwill impairment test to determine the amount of the impairment loss. The impairment loss would be calculated by comparing the implied fair value of the Company to its net book value. In calculating the implied fair value of the Company's goodwill, the fair value of the Company would be allocated to all of the other assets and liabilities based on their fair values. The excess of the fair value of the Company over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. An impairment loss would be recognized when the carrying amount of goodwill exceeds its implied fair value. There was no impairment of goodwill recorded for the years ended December 31, 2015, 2014 or 2013.
Purchased intangible assets with finite lives are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets. Purchased intangible assets with indefinite lives are assessed for potential impairment annually or when events or circumstances indicate that their carrying amounts might be impaired.
Warranties
We generally provide a one-year warranty on hardware. We do not accrue for potential warranty claims as a component of cost of product revenue as all product warranty claims are satisfied under our support and maintenance contracts.
Deferred Revenue
Deferred revenue consists of amounts that have been invoiced and for which the Company has the right to bill, but that have not been recognized as revenue. Deferred revenue that will be realized during the succeeding 12 month period is recorded as current, and the remaining deferred revenue is recorded as non-current.
Contract Manufacturer Liabilities
We outsource most of our manufacturing, repair, and supply chain management operations to our independent contract manufacturers and payments to such manufacturers are a significant portion of our product cost of revenue. Although we could be contractually obligated to purchase manufactured products, we generally do not own the manufactured products. Product title transfers from our independent contract manufacturers to us and to our partners upon shipment. Our independent contract manufacturers assemble our products using design specifications, quality assurance programs, and standards that we establish, and they procure components and assemble our products based on our demand forecasts. These forecasts represent our estimates of future demand for our products based upon historical trends and analysis from our sales and product management functions as adjusted for overall market conditions. If the actual component usage and product demand are significantly lower than forecast, we may accrue for costs for contractual manufacturing commitments in excess of our forecasted demand, including costs for excess components or for carrying costs incurred by our contract manufacturers. To date, we have not accrued any significant costs associated with this exposure.
Revenue Recognition
We generate revenue from the sales of products, subscriptions, support and maintenance, and professional services primarily through our indirect relationships with our partners as well as end customers through our direct sales force. Our products include operating system software that is integrated into the appliance hardware and is deemed essential to its functionality. As a result, we account for product revenue in accordance with Accounting Standards Codification 605, Revenue Recognition, and all related interpretations, as all of our security appliance deliverables include proprietary operating system software, which together delivers the essential functionality of our products. Our professional services consist primarily of time and materials based contracts, and the revenue is recognized as costs are incurred at amounts represented by the agreed-upon billing amounts. Revenue from fixed-price professional

services engagements are recognized under the proportional performance method of accounting.

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Revenue is recognized when all of the following criteria are met:

- Persuasive Evidence of an Arrangement Exists. We rely upon non-cancelable sales agreements and purchase orders to determine the existence of an arrangement.
- Delivery has Occurred. We use shipping documents or transmissions of service contract registration codes to verify delivery.
- The Fee is Fixed or Determinable. We assess whether the fee is fixed or determinable based on the payment terms associated with the transaction.
- Collectability is Reasonably Assured. We assess collectability based on credit analysis and payment history.

Our products include principal security product families that address critical vectors of attack, including Web, email, endpoint, file and mobile. Our Network Threat Prevention, Endpoint Threat Prevention, File Content Security, Forensic Analysis System and Central Management System appliance and subscription services qualify as separate units of accounting. Therefore, Network Threat Prevention, Endpoint Threat Prevention, File Content Security, Forensic Analysis System and Central Management System appliance product revenue is recognized at the time of shipment. Historically, our Email Threat Prevention appliance could not function without the use of our Email Threat Prevention Attachment/URL Engine, which analyzes email attachments and URLs embedded in emails for next-generation threats. As such, our Email Threat Prevention and related services previously did not have stand-alone value and did not qualify as separate units of accounting. Therefore, Email Threat Prevention product revenue had historically been recognized ratably over the longer of the contractual term of the subscription services or the estimated period the customer was expected to benefit from the product, provided that all other revenue recognition criteria had been met. Beginning in June 2014, we started shipping all Email Threat Prevention appliances with software that allows customers to benefit from the product without the associated subscription services. Consistent with our Network and Endpoint Threat Prevention and File Content Security products, revenue therefore is recognized at the time of shipment.

At the time of shipment, product revenue meets the criteria for fixed or determinable fees. In addition, payment from our partners is not contingent on the partners' collection from their end-customers. Our partners do not stock products and do not have any stock rotation rights. We recognize subscription and support and maintenance service revenue ratably over the contractual service period, which is typically one or three years. Professional services revenue, including incident response and related consulting services for our customers who have experienced a cybersecurity breach or who require assistance assessing the vulnerability of their networks, and training services revenue is recognized as the services are rendered.

Most of our arrangements, other than renewals of subscriptions and support and maintenance services, are multiple-element arrangements with a combination of product, subscriptions, support and maintenance, and other services. For multiple-element arrangements, we allocate revenue to each unit of accounting based on an estimated selling price at the arrangement inception. The estimated selling price for each element is based upon the following hierarchy: vendor-specific objective evidence (“VSOE”) of selling price, if available, third-party evidence (“TPE”) of selling price, if VSOE of selling price is not available, or best estimate of selling price (“BESP”), if neither VSOE of selling price nor TPE of selling price are available. The total arrangement consideration is allocated to each separate unit of accounting using the relative estimated selling prices of each unit based on the aforementioned selling price hierarchy. We limit the amount of revenue recognized for delivered elements to an amount that is not contingent upon future delivery of additional products or services or meeting of any specified performance conditions.

To determine the estimated selling price in multiple-element arrangements, we seek to establish VSOE of selling price using the prices charged for a deliverable when sold separately and, for subscriptions and support and maintenance, based on the renewal rates and discounts offered to partners. If VSOE of selling price cannot be established for a deliverable, we seek to establish TPE of selling price by evaluating similar and interchangeable competitor products or services in standalone arrangements with similarly situated partners. However, as our products contain a significant element of proprietary technology and offer substantially different features and functionality from our competitors, we are unable to obtain comparable pricing of our competitors’ products with similar functionality on a standalone basis. Therefore, we have not been able to obtain reliable evidence of TPE of selling price. If neither VSOE nor TPE of selling price can be established for a deliverable, we establish BESP primarily based on historical transaction pricing.

Historical transactions are segregated based on our pricing model and our go-to-market strategy, which include factors such as type of sales channel (reseller, distributor, or end-customer), the geographies in which our products and services were sold (domestic or international), offering type (products, subscriptions or services), and whether or not the opportunity was identified by our sales force or by our partners. In analyzing historical transaction pricing, we evaluate whether a majority of the prices charged for a product, as represented by a percentage of list price, fall within a reasonable range. To further support the best estimate of selling price as determined by the historical transaction pricing or when such information is unavailable, such as when there are limited sales of a new product, we consider the same factors we have established through our pricing model and go-to-market strategy. The determination of BESP is made through consultation with and approval by our management. We have established the estimated selling price of all of our deliverables using BESP.

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Shipping charges billed to partners are included in revenue and related costs are included in cost of revenue. Sales commissions and other incremental costs to acquire contracts are also expensed as incurred and are recorded in sales and marketing expense. After receipt of a partner order, any amounts billed in excess of revenue recognized are recorded as deferred revenue.

Advertising Costs

Advertising costs, which are expensed and included in sales and marketing expense when incurred, were $5.1 million, $2.3 million and $0.8 million during the years ended December 31, 2015, 2014 and 2013, respectively.

Software Development Costs

The costs to develop internal-use software are subject to capitalization and begin amortizing once the software is substantially ready for use. During the year ended December 31, 2015, we capitalized $4.3 million of software development costs related to our cloud subscriptions. Software development costs incurred during the years ended December 31, 2014 and 2013 were not material for capitalization. These costs are included in property and equipment and are amortized over 3 years. Amortization expense related to capitalized software development costs was $0.8 million during the year ended December 31, 2015. All other software development costs are expensed as incurred and included in research and development expense on the consolidated statements of operations.

Stock-Based Compensation

Compensation expense related to stock-based transactions, including employee and non-employee director awards and our 2013 Employee Stock Purchase Plan (the "ESPP"), is measured and recognized in the financial statements based on fair value. The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model and a single option award approach. This model requires that at the date of grant we determine the fair value of the underlying common stock, the expected term of the award, the expected volatility of the price of our common stock, risk-free interest rates, and expected dividend yield of our common stock. The fair value of restricted stock awards and restricted stock units is based on the closing market price of our common stock on the date of grant. The stock-based compensation expense, net of forfeitures, is recognized using a straight-line basis over the requisite service period of the entire awards, which is generally four years, unless the awards are subject to performance conditions, in which case the Company recognizes compensation expense over the requisite service period of each vesting tranche. For performance-based awards, the Company recognizes compensation expense when it becomes probable that the performance criteria set by the Board of Directors will be achieved.

We estimate a forfeiture rate to calculate the stock-based compensation for our awards based on an analysis of our actual historical forfeitures. If there is a difference between the forfeiture assumptions used in determining stock-based compensation costs and the actual forfeitures which become known over time, we may change the forfeiture rate.

We account for stock options issued to non-employees based on the fair value of the awards determined using the Black-Scholes option-pricing model. The fair value of stock options granted to non-employees is remeasured as the stock options vest, and the resulting change in value, if any, is recognized in the statement of operations during the period the related services are rendered.

Income Taxes

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and research and development credit carry forwards. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

We apply the authoritative accounting guidance prescribing a threshold and measurement attribute for the financial recognition and measurement of a tax position taken or expected to be taken in a tax return. We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax liability as the largest amount that is more likely than not to be realized upon ultimate settlement. We recognize interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying consolidated statements of operations. Accrued interest and penalties are included within other long-term liabilities in the consolidated balance sheets.

Net Loss Per Share Attributable to Common Stockholders

We calculate our basic and diluted net loss per share attributable to common stockholders in conformity with the two-class method required for companies with participating securities. Under the two-class method, in periods when the Company has net income, net income attributable to common stockholders is determined by allocating undistributed earnings, calculated as net income less current period convertible preferred stock non-cumulative dividends, between common stock and the convertible preferred stock. In computing diluted net income attributable to common stockholders, undistributed earnings are re-allocated to reflect the potential impact of dilutive securities. The Company's basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period. The

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diluted net loss per share attributable to common stockholders is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, options to purchase common stock are considered common stock equivalents, but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is anti-dilutive.

Convertible Senior Notes

We allocated the principal amount of the Convertible Senior Notes between its liability and equity components. The carrying amount of the liability component was determined by measuring the fair value of a similar debt instrument of similar credit quality and maturity that did not have the convert feature. The carrying amount of the equity component, representing the embedded conversion option, was determined by deducting the fair value of the liability component from the principal amount of the Convertible Senior Notes as a whole. The equity component was recorded to additional paid-in capital and is not remeasured as long as it continues to meet the conditions for equity classification. The excess of the principal amount of the Convertible Senior Notes over the carrying amount of the liability component was recorded as a debt discount, and is being amortized to interest expense using the effective interest method through the first date holders have the right to require us to repurchase all or any portion of their Convertible Senior Notes; the first put date (see Note 8). We allocate the total amount of transaction costs incurred to the liability and equity components using the same proportions as the proceeds from the Convertible Senior Notes. Transaction costs attributable to the liability component were recorded as a direct deduction from the liability component of the Convertible Senior Notes, and are being amortized to interest expense using the effective interest method through the first put date. Transaction costs attributable to the equity component were netted with the equity component of the Convertible Senior Notes in additional paid-in capital.

Recent Accounting Pronouncements

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes. This standard requires companies to present deferred tax assets and deferred tax liabilities as noncurrent on the Balance Sheet, simplifying current guidance which required separate presentation of deferred tax assets and deferred tax liabilities as current and noncurrent. The guidance is effective for us beginning in the first quarter of 2017, and may be applied prospectively or retrospectively at the Company's election. Early adoption is permitted.

We elected to early adopt this standard in the fourth quarter of 2015, and have applied the guidance on a prospective basis. As such, prior period financial statements have not been retrospectively adjusted. The adoption of this standard has resulted in the reclassification of our net current deferred tax asset to a net non-current deferred tax asset on the consolidated balance sheets as of December 31, 2015. The adoption of this standard was immaterial to our consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This standard eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Under this guidance, measurement-period adjustments will be recognized during the period in which they are determined. The guidance is effective for us beginning in the first quarter of 2016. The adoption of this standard is not expected to have a significant impact on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs. This standard requires companies to present debt issuance costs on the balance sheet as a direct deduction from the related liability, consistent with the presentation of debt discounts, rather than as an asset. Amortization of such costs will continue to be reported as interest expense. The guidance is effective for us beginning in the first quarter of 2016, and requires retrospective application to all prior periods presented in the financial statements. Early adoption is permitted.

We elected to early adopt this standard in the second quarter of 2015, concurrent with the issuance of our Convertible Senior Notes. As such, the issuance costs determined attributable to the liability component of our Convertible Senior Notes have been recorded as a direct deduction from the carrying amount of the notes liability (See Note 8). The adoption of this standard has no impact on any prior period financial statements presented, as we did not previously incur any debt issuance costs.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This standard provides a single model for revenue arising from contracts with customers and supersedes current revenue

recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB decided to defer the effective date by one year, and as a result, the guidance is effective for us beginning in the first quarter of 2018. Early adoption as of the original effective date would be permitted. The guidance permits companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. We are currently evaluating the impact the adoption will have on our consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU No. 2014-15, Disclosures of Uncertainties About an Entity's Ability to Continue as a Going Concern. This standard provides guidance on how and when reporting entities must disclose going-concern uncertainties in their financial statements. The guidance is effective for us beginning in the first quarter of 2017. Early adoption is permitted. The

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adoption of this standard is not expected to have an impact on our consolidated financial statements.

2. Fair Value Measurements

The accounting guidance for fair value measurements provides a framework for measuring fair value on either a recurring or nonrecurring basis, whereby the inputs used in our valuation techniques are assigned a hierarchical level. The following are the three levels of inputs to measure fair value:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs that reflect quoted prices for identical assets or liabilities in less active markets; quoted prices for similar assets or liabilities in active markets; benchmark yields, reported trades, broker/dealer quotes, inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Unobservable inputs that reflect our own assumptions incorporated in valuation techniques used to measure fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

We consider an active market to be one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis, and consider an inactive market to be one in which there are infrequent or few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers. Where appropriate, our own or the counterparty's non-performance risk is considered in measuring the fair values of assets.

The following table presents our financial assets and liabilities measured and recorded at fair value on a recurring basis using the above input categories (in thousands):

	As of December 31, 2015				As of December 31, 2014			
Description	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash equivalents:								
Money market funds	$210,533	$—	$—	$210,533	$13,069	$—	$—	$13,069
U.S. Government agencies	—	—	—	—	—	12,950	—	12,950
Total cash equivalents	$210,533	$—	$—	$210,533	$13,069	$12,950	$—	$26,019
Short-term investments:								
Certificates of deposit	—	19,124	—	19,124	—	4,994	—	4,994
Corporate notes and bonds	—	447,267	—	447,267	—	142,984	—	142,984
U.S. Government agencies	—	301,384	—	301,384	—	107,867	—	107,867
Total short-term investments	$—	$767,775	$—	$767,775	$—	$255,845	$—	$255,845
Total assets measured at fair value	$210,533	$767,775	$—	$978,308	$13,069	$268,795	$—	$281,864

The estimated fair value of the Convertible Senior Notes as of December 31, 2015 was determined to be $766.5 million, based on quoted market prices. We consider the fair value of the Convertible Senior Notes to be a Level 2 measurement as they are not actively traded.

The estimated fair value of our equity method investment as of December 31, 2015 was determined to be $1.8 million. We consider the fair value of our equity method investment to be a Level 3 measurement based on the use of unobservable inputs.

3. Investments

Our investments in debt and equity securities classified as available-for-sale consisted of the following (in thousands):

	As of December 31, 2015					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cash and Cash Equivalents	Short-Term Investments
Certificates of deposit	$19,160	—	$(36)	$19,124	$—	$19,124
Corporate notes and bonds	448,688	—	(1,421)	447,267	—	447,267
U.S. Government agencies	302,152	2	(770)	301,384	—	301,384
Total	$770,000	$2	$(2,227)	$767,775	$—	$767,775

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	As of December 31, 2014					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cash and Cash Equivalents	Short-Term Investments
Certificates of deposit	$5,000	—	$(6)	$4,994	$—	$4,994
Corporate notes and bonds	143,215	4	(235)	142,984	—	142,984
U.S. Government agencies	121,021	1	(205)	120,817	12,950	107,867
Total	$269,236	$5	$(446)	$268,795	$12,950	$255,845

The following tables present the gross unrealized losses and related fair values of the above investments that have been in a continuous unrealized loss position (in thousands):

	As of December 31, 2015					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Certificates of deposit	$18,404	$(36)	$—	$—	$18,404	$(36)
Corporate notes and bonds	430,466	(1,407)	16,801	(15)	447,267	(1,422)
U.S. Government agencies	266,541	(761)	8,992	(8)	275,533	(769)
Total	$715,411	$(2,204)	$25,793	$(23)	$741,204	$(2,227)

	As of December 31, 2014					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Certificates of deposit	$3,793	$(6)	$—	$—	$3,793	$(6)
Corporate notes and bonds	130,920	(235)	—	—	130,920	(235)
U.S. Government agencies	109,868	(205)	—	—	109,868	(205)
Total	$244,581	$(446)	$—	$—	$244,581	$(446)

Unrealized losses related to these investments are due to interest rate fluctuations as opposed to credit quality. In addition, we do not intend to sell, and it is not more likely than not that we would be required to sell, these investments before recovery of their cost basis. As a result, there is no other-than-temporary impairment for these investments as of December 31, 2015 and December 31, 2014.

The following table summarizes the contractual maturities of these investments at December 31, 2015 (in thousands):

	Amortized Cost	Fair Value
Due within one year	$384,370	$383,858
Due within one to two years	385,630	383,917
Total	$770,000	$767,775

All available-for-sale securities have been classified as current, based on management's intent and ability to use the funds in current operations.

During 2015, we invested in a privately held company, obtaining an initial 12.5% ownership interest. This investment is accounted for under the equity method based on our ability to exercise significant influence over operating and financial policies of the investee, and is classified within deposits and other long-term assets on our consolidated balance sheets. The carrying value of this investment was $1.8 million as of December 31, 2015.

4. Property and Equipment

Property and equipment, net consisted of the following (in thousands):

	As of December 31,	
	2015	2014
Computer equipment and software	$120,886	$85,171
Leasehold improvements	41,626	34,522
Furniture and fixtures	13,470	12,022
Machinery and equipment	447	447
Total property and equipment	176,429	132,162
Less: accumulated depreciation and amortization	(98,061)	(49,864)
Total property and equipment, net	$78,368	$82,298

Depreciation and amortization expense related to property and equipment and demonstration units during the years ended December 31, 2015, 2014 and 2013 was $61.2 million, $46.8 million and $19.2 million, respectively.

During the year ended December 31, 2015, we recognized $1.1 million in accelerated depreciation expense associated with changes in the estimated useful life of certain assets to be replaced in the first quarter of 2016.

5. Business Combinations

Acquisitions in 2014

On May 9, 2014, we acquired all outstanding shares of privately held nPulse Technologies, Inc. (“nPulse”), a performance leader in network forensics based in Charlottesville, Virginia. The acquisition of nPulse strengthens our position as a leader in advanced threat detection and incident response management solutions.

The total purchase consideration of $56.6 million consisted of $55.2 million in cash, $0.1 million of equity awards assumed, and 54,319 shares of our common stock, with a fair value of $1.3 million which will vest upon the achievement of milestones. The number of shares was fixed at the completion of the acquisition, and is the maximum number of shares that can vest over a period of approximately three and half years from the acquisition date.

The acquisition of nPulse was accounted for in accordance with the acquisition method of accounting for business combinations with FireEye as the accounting acquirer. We expensed the related acquisition costs of $0.5 million in general and administrative expenses. Under the acquisition method of accounting, the total purchase consideration is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. The purchase price was finalized during 2015. Total allocation of the purchase price is as follows (in thousands):

	Amount
Net tangible liabilities assumed	$(1,833)
Intangible assets	24,700
Deferred tax asset	442
Deferred tax liability	(8,368)
Goodwill	41,671
Total purchase price allocation	$56,612

None of the goodwill is deductible for U.S. federal income tax purposes.

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Intangible assets consist primarily of developed technology, customer relationships and in-process research and development. Developed technology intangible includes a combination of patented and unpatented technology, trade secrets, computer software and research processes that represent the foundation for the existing and planned new products and services. Customer relationships intangible relates to nPulse's ability to sell existing, in-process and future products and services to its existing and potential customers. The in-process research and development intangible represents the estimated fair value of acquired research projects which have not reached technological feasibility at acquisition date, but have since been developed into products and services. The estimated useful life and fair values of the identifiable intangible assets are as follows (in thousands):

	Estimated Useful Life (in years)	Amount
Developed technology	6	$10,100
Customer relationships	8	8,000
In-process research and development	N/A	6,600
Total		$24,700

The results of operations of nPulse have been included in our consolidated statements of operations from the acquisition date. Pro forma results of operations have not been presented because the acquisition was not material to our results of operations.

Acquisitions in 2013

On December 30, 2013, we acquired privately held Mandiant Corporation ("Mandiant"), a leading provider of advanced end point security products and security incident response management solutions. We believe this acquisition creates an advanced threat protection vendor with the ability to find and stop attacks at every stage of the attack life cycle.

At the closing on December 30, 2013, we acquired all the outstanding shares of capital stock of Mandiant for 16,123,011 shares of our common stock and $106.5 million in cash. Under the terms and conditions of the Merger Agreement, each outstanding share of Mandiant common stock was converted into the right to receive (a) $5.22 in cash, without interest, and subject to applicable withholding tax, and (b) 0.8126 of a share of our common stock. This transaction is referred to herein as the merger. In connection with the merger, all of the outstanding stock options and restricted stock awards of Mandiant were converted into stock options and restricted stock awards, respectively, denominated in shares of our common stock. The common stock issued, along with the fair value of vested equity awards assumed and cash payment, resulted in a purchase price of $900.8 million for accounting purposes. The total purchase consideration is as follows (in thousands):

	Amount
Cash	$106,538
Fair value of common stock	704,414
Fair value of equity awards assumed	89,838
Total purchase consideration	$900,790

The acquisition of Mandiant was accounted for in accordance with the acquisition method of accounting for business combinations with FireEye as the accounting acquirer. We expensed the related acquisition costs in the amount of $8.5 million in general and administrative expenses. Under the acquisition method of accounting, the total purchase price as shown in the table above is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. The total purchase price allocation was finalized in calendar year 2014. Total allocation of the purchase price is as follows (in thousands):

	Amount	
Net tangible assets	$10,797	
Intangible assets	276,200	
Deferred tax liability	(91,111	)
Goodwill	704,904	
Total purchase price allocation	$900,790	

As noted above, in connection with the acquisition, we also assumed and exchanged Mandiant's outstanding stock options and restricted stock awards. The assumed options and restricted stock awards continue to have the same terms and conditions as set forth in the original stock option and restricted stock award agreements. The fair values of the

equity awards assumed were determined using a Black-Scholes-Merton option-pricing model. The fair values of unvested equity awards of $119.5 million is being recorded as operating expense over the remaining requisite service periods as they relate to post-combination services, while the fair values of vested equity based awards of $89.8 million were included in total purchase price as they relate to pre-combination services.

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None of the goodwill recorded as part of the Mandiant acquisition is deductible for U.S. federal income tax purposes. Intangible assets consist primarily of developed technology, content, customer relationship and other intangible assets. Content intangibles represent threat intelligence, which is continually gathered from ongoing monitoring of endpoints and by incident response and remediation teams. The intangible assets attributable to customer relationships relate to Mandiant's ability to sell existing, in-process and future versions of its products and services to its existing customers. Developed technology intangibles includes a combination of patented and unpatented technology, trade secrets, and computer software and processes that represent the foundation for planned new products and services. The useful life and fair values of the identifiable intangible assets are as follows (in thousands):

	Useful Life (in years)	Amount
Developed technology	4 - 6	$54,600
Customer relationships	8	65,400
In-process research and development	N/A	1,400
Content	10	128,600
Contract backlog	1 - 3	13,800
Trade names	4	12,400
Total		$276,200

The results of operations of Mandiant have been included in our consolidated statements of operations from the acquisition date, though Mandiant operations made no material contribution to our revenue or expenses for the year ended December 31, 2013. The following table presents pro forma results of operations of the Company and Mandiant as if the companies had been combined as of January 1, 2012, and includes pro forma adjustments related to the amortization of acquired intangible assets and share-based compensation expense. Direct and incremental transaction costs are excluded from the year ended December 31, 2013 pro forma condensed combined financial information presented below.

	Year Ended December 31, 2013
Pro forma revenue	$266,458
Pro forma loss from operations	(296,476)
Pro forma net loss	$(246,617)

On September 3, 2013, we acquired all outstanding shares of Secure DNA Managed Services, Inc. and certain affiliated entities (collectively, "Secure DNA"), a security solutions provider based in Honolulu, Hawaii, focused on network monitoring and management, secured hosting, cloud e-mail protection, incident response and other network security related services. The acquisition of Secure DNA provides us with the developed technology platform that will facilitate the delivery of the advanced security services for all our products.

We accounted for the acquisition of Secure DNA as a purchase of a business. We expensed the related acquisition costs, consisting primarily of legal expenses in the amount of $0.2 million, and these expenses were presented as general and administrative expenses on the consolidated statements of operations for the year ended December 31, 2013. Under the acquisition method of accounting, the total purchase price was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed.

The total purchase consideration of $4.9 million consisted of $4.1 million in cash and the issuance of 50,000 shares of our common stock with a fair value of $16.00 per share on the acquisition date. We also assumed deferred tax liabilities related to the fair value of the developed technology and customer relationships we obtained in the acquisition as well as other assumed liabilities related to normal operations. Primarily as a result of the deferred tax liabilities assumed in the acquisition, we recognized goodwill of $2.3 million equal to the excess of the purchase consideration over the fair value of the assets acquired and the liabilities assumed. None of the goodwill is deductible for income tax purposes.

The acquisition also included a contingent obligation of up to $3.0 million, consisting of 190,000 shares of our common stock with a fair value of $16.00 per share on the acquisition date, to certain employees from Secure DNA if specified product and service milestones are met within the two years of the acquisition date. As the obligation is contingent upon their continuous employment with us, the contingent obligation is being recorded as compensation

expense ratably over the respective service periods. As of December 31, 2015, all milestones had been achieved resulting in the vesting of these shares.

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The following table summarizes the consideration paid and the fair values of the assets acquired and liabilities assumed at the acquisition date for the Secure DNA acquisition (in thousands):

	Amount
Developed technology	$1,300
Customer relationships	1,900
Deferred tax liabilities	(1,290)
Net assets acquired	665
Goodwill	2,302
Fair value of total consideration transferred	$4,877

The results of operations of Secure DNA have been included in our consolidated statements of operations from the acquisition date. Pro forma results of operations have not been presented because the acquisition was not material to our results of operations.

Goodwill and Purchased Intangible Assets

There were no changes in the carrying amount of goodwill for the year ended December 31, 2015. The changes in the carrying amount of goodwill for the year ended December 31, 2014 are as follows (in thousands):

	Amount
Balance as of December 31, 2013	$706,327
Goodwill acquired	41,538
Deferred tax adjustments	1,156
Other adjustments	1,267
Balance as of December 31, 2014	$750,288

Intangible assets consist of the following (in thousands):

	As of December 31,	
	2015	2014
Developed technology	$78,193	$78,193
Content	128,600	128,600
Customer relationships	75,300	75,300
Contract backlog	13,000	13,000
Trade names	12,400	12,400
Total intangible assets subject to amortization	307,493	307,493
Less: accumulated amortization	(92,933)	(45,868)
Net intangible assets subject to amortization	$214,560	$261,625

The developed technology, content and contract backlog is being amortized to cost of sales over the economic life of the related assets, which was estimated to be three to ten years as of the acquisition date. The customer relationships and trade names is being amortized to sales and marketing expense over the economic life of the related assets, which was estimated to be four to eight years as of the acquisition date. As of December 31, 2015, all in-process research and development obtained in our acquisitions of Mandiant and nPulse was completed. Amortization expense of intangible assets for the years ended December 31, 2015, 2014 and 2013 was $47.1 million, $45.2 million and $1.5 million, respectively.

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The expected annual amortization expense of intangible assets as of December 31, 2015 is presented below (in thousands):

Years Ending December 31,	Amount
2016	$46,448
2017	40,503
2018	29,346
2019	27,574
2020	22,635
2021 and thereafter	48,054
Total	$214,560

6. Restructuring Charges

We initiated a series of business restructuring plans beginning in August 2014 to reduce our cost structure and improve efficiency, resulting in workforce reductions and the consolidation of certain real estate facilities. These activities were substantially complete as of December 31, 2014.

The following table sets forth a summary of restructuring activities which took place during the years ended December 31, 2015 and 2014 (in thousands):

	Severance and related costs	Facilities	Total
Balance, December 31, 2013	$—	$—	$—
Provision for restructuring charges	1,583	1,124	2,707
Cash payments and other adjustments	(1,583)	(359)	(1,942)
Balance, December 31, 2014	$—	$765	$765
Provision for restructuring charges	—	—	—
Cash payments and other adjustments	—	(548)	(548)
Balance, December 31, 2015	$—	$217	$217

The provision for restructuring charges shown above for the year ended December 31, 2014 excludes $1.6 million of non-cash fixed asset write-offs.

The remaining restructuring balance of $0.2 million as of December 31, 2015 relates to non-cancelable lease costs, which we expect to pay over the terms of the related obligations through the third quarter of 2017, less sublease income.

7. Deferred Revenue

Deferred revenue consists of the following (in thousands):

	As of December 31,	
	2015	2014
Product, current	$8,200	$10,718
Subscription and services, current	296,969	193,159
Total deferred revenue, current	305,169	203,877
Product, non-current	3,051	4,891
Subscription and services, non-current	218,778	143,775
Total deferred revenue, non-current	221,829	148,666
Total deferred revenue	$526,998	$352,543

8. Convertible Senior Notes

In June 2015, we issued $460.0 million principal amount of Series A Notes and $460.0 million principal amount of Series B Notes, including the full exercise of the initial purchasers' over-allotment option, in a private placement to qualified institutional purchasers pursuant to an exemption from registration provided by Section 4(a)(2) and Rule 144A under the Securities Act. The net proceeds after the initial purchasers' discount of $23.0 million and issuance costs of $0.5 million from the Convertible Senior Notes were $896.5 million.

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The Series A Notes and Series B Notes bear interest at 1.000% per year and 1.625% per year, respectively, payable semiannually in arrears on June 1 and December 1 of each year, beginning December 1, 2015. The Convertible Senior Notes mature on June 1, 2035, unless earlier repurchased, redeemed or converted.
The Convertible Senior Notes are unsecured obligations and rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the Convertible Senior Notes. They rank equally in right of payment with all of our existing and future liabilities that are not expressly subordinated to the Convertible Senior Notes and effectively rank junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness. They are structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.
The Convertible Senior Notes do not contain any financial covenants and do not restrict us from paying dividends or issuing or repurchasing our other securities.
The initial conversion rate on each series of Convertible Senior Notes is 16.4572 shares of our common stock per $1,000 principal amount of Convertible Senior Notes, which is equivalent to an initial conversion price of approximately $60.76 per share of common stock. The conversion rate of each series of Convertible Senior Notes may be adjusted upon the occurrence of certain specified events, but not for accrued and unpaid interest.
Holders may convert the Convertible Senior Notes at their option in multiples of $1,000 principal amount prior to March 1, 2035, excluding the period from March 1, 2020 to June 1, 2020 in the case of the Series A Notes and March 1, 2022 to June 1, 2022 in the case of the Series B Notes, only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ended on September 30, 2015 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the Convertible Senior Notes of the relevant series on each applicable trading day;
- during the five business day period after any five consecutive trading day period in which the trading price per $1,000 principal amount of Series A Notes or Series B Notes, as applicable, for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate for the notes of the relevant series on each such trading day;
- if we call any or all of the Convertible Senior Notes of a series for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the relevant redemption date; or
- upon the occurrence of specified corporate events, as specified in each indenture governing the Convertible Senior Notes.

Regardless of the foregoing conditions, holders may convert their Convertible Senior Notes at their option in multiples of $1,000 principal amount at any time during the period from March 1, 2020 to June 1, 2020 in the case of the Series A Notes and during the period from March 1, 2022 to June 1, 2022 in the case of the Series B Notes, or after March 1, 2035 until maturity for either series of Convertible Senior Notes. Upon conversion, the Convertible Senior Notes can be settled in cash, shares of our common stock or any combination thereof at our option.
We may be required by holders of the Convertible Senior Notes to repurchase all or any portion of their Convertible Senior Notes at 100% of the principal amount plus accrued and unpaid interest, on each of June 1, 2020, June 1, 2025 and June 1, 2030, in the case of the Series A Notes, and each of June 1, 2022, June 1, 2025 and June 1, 2030 in the case of the Series B Notes. Holders may also require us to repurchase the Convertible Senior Notes if we undergo a "fundamental change," as defined in each indenture governing the Convertible Senior Notes, at a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest.
Additionally, we may redeem for cash all or any portion of the Series A Notes on or after June 1, 2020 until maturity. We may redeem for cash all or any portion of the Series B Notes on or after June 1, 2020 until June 1, 2022 if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending not more than three trading days immediately preceding the date we provide notice of redemption. We also may redeem for cash all or any portion of the Series B Notes on or after June 1, 2022 until maturity, regardless of the foregoing sale price condition.

In accordance with accounting for debt with conversions and other options, we allocated the principal amount of the Convertible Senior Notes into liability and equity components. We also allocated the total amount of initial purchasers' discount and transaction costs incurred to the liability and equity components using the same proportions as the proceeds from the Convertible Senior Notes. Transaction costs of $0.4 million and $0.1 million and initial purchasers' discount of $17.6 million and $5.4 million were attributable to the liability component and equity component of the Convertible Senior Notes, respectively.

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As of December 31, 2015, the liability and equity components of the Convertible Senior Notes consisted of the following (in thousands):

	Series A Notes	Series B Notes
Liability component:		
Principal	$460,000	$460,000
Less: Convertible senior notes discounts and issuance costs, net of amortization	(93,469)	(120,333)
Net carrying amount	$366,531	$339,667
Equity component, net of issuance costs	$92,567	$117,834

The unamortized discounts and issuance costs as of December 31, 2015 will be amortized over a weighted-average remaining period of approximately 6 years.

Interest expense related to the Convertible Senior Notes consisted of the following for the year ended December 31, 2015 (in thousands):

	Series A Notes	Series B Notes
Coupon interest	$2,683	$4,361
Amortization of convertible senior notes discounts and issuance costs	10,833	9,236
Total interest expense recognized	$13,516	$13,597
Effective interest rate on the liability component	6.5 %	7.1 %

Prepaid Forward Stock Purchase

In connection with the issuance of the Convertible Senior Notes, we also entered into privately negotiated Prepaid Forwards with one of the initial purchasers of the Convertible Senior Notes (the "Forward Counterparty"), pursuant to which we paid approximately $150.0 million. The amount prepaid is equivalent to approximately 3.3 million shares which are to be settled on or around June 1, 2020 and June 1, 2022, respectively, subject to any early settlement, in whole or in part, of each Prepaid Forward. The Prepaid Forwards are intended to facilitate privately negotiated derivative transactions by which investors in the Convertible Senior Notes will be able to hedge their investment in the Convertible Senior Notes. In the event we pay any cash dividends on our common stock, the Forward Counterparty will pay an equivalent amount back to us.

The related shares were accounted for as a repurchase of common stock, and are presented as Treasury Stock in the consolidated balance sheets. The 3.3 million shares of common stock purchased under the Prepaid Forwards are excluded from weighted-average shares outstanding for basic and diluted EPS purposes although they remain legally outstanding.

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9. Commitments and Contingencies

Leases

We lease our facilities under various non-cancelable operating leases, which expire on various dates through the year ending December 31, 2024. Rent expense is recognized using the straight-line method over the term of the lease. Rent expense, net of sublease income, was $14.4 million, $10.7 million and $3.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The aggregate future non-cancelable minimum rental payments on our operating leases, as of December 31, 2015, are as follows (in thousands):

Years Ending December 31,	Amount
2016	$14,513
2017	12,109
2018	7,463
2019	5,833
2020	5,650
2021 and thereafter	8,030
Total	$53,598

Total future non-cancelable minimum rental payments have not been reduced by future minimum sublease rentals totaling $0.7 million.

We are party to letters of credit totaling $1.2 million, $1.9 million and $0.9 million as of December 31, 2015, 2014 and 2013, respectively, issued primarily in support of operating leases at several of our facilities. These letters of credit are collateralized by a line with our bank. No amounts have been drawn against these letters of credit.

Contract Manufacturer Commitments

Our independent contract manufacturers procure components and assemble our products based on our forecasts. These forecasts are based on estimates of future demand for our products, which are in turn based on historical trends and an analysis from our sales and product marketing organizations, adjusted for overall market conditions. In order to reduce manufacturing lead times and plan for adequate supply, we may issue forecasts and orders for components and products that are non-cancelable. As of December 31, 2015 and 2014, we had non-cancellable open orders of $16.9 million and $23.2 million, respectively. We are required to record a liability for firm, noncancelable and unconditional purchase commitments with contract manufacturers and suppliers for quantities in excess of our future demand forecasts. As of December 31, 2015 and 2014, we have not accrued any significant costs for such noncancelable commitments.

Purchase Obligations

As of December 31, 2015, we had approximately $35.9 million of non-cancellable firm purchase commitments primarily for purchases of software and services. Amounts which we have received delivery of the goods or services under purchase orders outstanding at December 31, 2015, are reflected in the Consolidated Balance Sheet as accounts payable or accrued liabilities, and are excluded from the $35.9 million.

Litigation

We accrue for contingencies when we believe that a loss is probable and that we can reasonably estimate the amount of any such loss. We have made an assessment of the probability of incurring any such losses and whether or not those losses are estimable.

On June 20, 2014, a purported stockholder class action lawsuit was filed in the Superior Court of California, County of Santa Clara, against the Company, current and former members of our Board of Directors, current and former officers, and the underwriters of our March 2014 follow-on public offering. On July 17, 2014, a substantially similar lawsuit was filed in the same court against the same defendants. The actions were consolidated and, on March 4, 2015, an amended complaint was filed, alleging violations of the federal securities laws on behalf of a purported class consisting of purchasers of the Company's common stock pursuant or traceable to the registration statement and prospectus for the follow-on public offering, and seeking unspecified compensatory damages and other relief. On April 20, 2015, defendants filed demurrers seeking that the amended complaint be dismissed. On August 11, 2015, the court overruled defendants' demurrers. On November 16, 2015, plaintiffs filed a motion seeking certification of the putative class, currently scheduled for a hearing on May 13, 2016. On January 6, 2016, the Company and the

individual defendants filed a motion for judgment on the pleadings seeking that the action be dismissed for lack of subject-matter jurisdiction, currently scheduled for a hearing on April 1, 2016. The Company intends to defend the litigation vigorously. Based on information currently available, the Company has determined that the amount of any possible loss or range of possible loss is not reasonably estimable.

On November 24, 2014, a purported stockholder class action lawsuit was filed in the United States District Court for the Northern District of California against the Company and certain of its officers. On June 29, 2015, plaintiffs filed a consolidated complaint alleging violations of the federal securities laws on behalf of a putative class of all persons who purchased or otherwise acquired the Company's

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securities between January 2, 2014, and November 4, 2014. Plaintiffs seek, among other things, compensatory damages and attorneys' fees and costs on behalf of the putative class. On August 21, 2015, defendants filed a motion to dismiss, which was heard on November 12, 2015. No ruling has been issued on the motion. The Company intends to defend the litigation vigorously. Based on information currently available, the Company has determined that the amount of any possible loss or range of possible loss is not reasonably estimable.

On January 28, 2015, certain of the Company's officers and directors were named as defendants in a putative derivative action filed in the Superior Court of California, County of Santa Clara. On April 21, 2015, a substantially similar lawsuit was filed in the same court against the same defendants. The Company is named as a nominal defendant in both actions. The actions were consolidated and a consolidated complaint was filed on June 15, 2015, purporting to allege claims for breach of fiduciary duty and unjust enrichment. On July 15, 2015, defendants filed demurrers to the consolidated complaint. On December 4, 2015, the court sustained defendants' demurrers on the basis that plaintiffs had failed adequately to allege derivative standing. Plaintiffs were granted leave to amend the complaint within 90 days. Based on information currently available, the Company has determined that the amount of any possible loss or range of possible loss is not reasonably estimable.

On December 15, 2015, a lawsuit was filed in the Delaware Court of Chancery by a purported stockholder against the Company, seeking production of certain books and records pursuant to Delaware law. The Company filed its answer on January 11, 2016. A trial is currently scheduled on May 3, 2016.

In February 2016, a lawsuit was filed in the Superior Court of California, County of Santa Clara, by one of the plaintiffs in the aforementioned putative derivative action against the Company, seeking production of certain books and records pursuant to Delaware and California law. The Company has not yet been served.

We are also subject to legal proceedings, claims and litigation, including intellectual property litigation, arising in the ordinary course of business. Such matters are subject to many uncertainties and outcomes, and are not predictable with assurance.

To the extent there is a reasonable possibility that a loss exceeding amounts already recognized may be incurred, and the amount of such additional loss would be material, we will either disclose the estimated additional loss or state that such an estimate cannot be made. We do not currently believe that it is reasonably possible that additional losses in connection with litigation arising in the ordinary course of business would be material.

Indemnification

Under the indemnification provisions of our standard sales related contracts, we agree to defend our customers against third-party claims asserting infringement of certain intellectual property rights, which may include patents, copyrights, trademarks, or trade secrets, and to pay judgments entered on such claims. Our exposure under these indemnification provisions is generally limited to the total amount paid by our customer under the agreement. However, certain agreements include indemnification provisions that could potentially expose us to losses in excess of the amount received under the agreement. In addition, we indemnify our officers, directors, and certain key employees for actions taken while they are or were serving in good faith in such capacities. Through December 31, 2015, there have been no claims under any indemnification provisions.

10. Common Shares Reserved for Issuance

Prior to its IPO, the Company had outstanding 11,164,000 shares designated as Series A convertible preferred stock, 10,985,000 shares designated as Series B convertible preferred stock, 7,049,000 designated as Series C convertible preferred stock, 26,231,000 designated as Series D convertible preferred stock, 4,412,000 designated as Series E convertible preferred stock, and 4,274,000 designated as Series F convertible preferred stock. Immediately prior to the completion of the Company's IPO in September 2013, all shares of outstanding preferred stock automatically converted into 74,221,553 shares of common stock. After its IPO, the Company had 100,000,000 shares of preferred stock authorized, none of which were issued and outstanding as of December 31, 2015 and 2014.

Under our amended and restated certificate of incorporation, we are authorized to issue 1,000,000,000 shares of common stock with a par value of $0.0001 per share as of December 31, 2015 and 2014. Each share of common stock outstanding is entitled to one vote. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to the prior rights of holders of all classes of convertible preferred stock outstanding.

As of December 31, 2015 and 2014, we had reserved shares of common stock for issuance as follows (in thousands):

	As of December 31,	
	2015	2014
Reserved under stock award plans	38,500	38,879
Convertible Senior Notes	15,141	—
ESPP	3,214	2,683
Total	56,855	41,562

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11. Equity Award Plans
We have operated under our 2013 Equity Incentive Plan (“2013 Plan”) since our IPO in September 2013. Our 2013 Plan provides for the issuance of restricted stock and the granting of options, stock appreciation rights, performance shares, performance units and restricted stock units to our employees, officers, directors and consultants. Awards granted under the 2013 Plan vest over the periods determined by the Board of Directors or compensation committee of the Board of Directors, generally four years, and stock options granted under the 2013 Plan expire no more than ten years after the date of grant. In the case of an incentive stock option granted to an employee who at the time of grant owns stock representing more than 10% of the total combined voting power of all classes of stock, the exercise price shall be no less than 110% of the fair value per share on the date of grant, and the award shall expire five years from the date of grant. For options granted to any other employee, the per share exercise price shall be no less than 100% of the fair value per share on the date of grant. In the case of non-statutory stock options and options granted to consultants, the per share exercise price shall be no less than 100% of the fair value per share on the date of grant. Stock that is purchased prior to vesting is subject to our right of repurchase at any time following termination of the participant for so long as such stock remains unvested. As of December 31, 2015 and 2014, approximately 7.2 million and 13.3 million shares of our common stock were reserved for future grants under the 2013 Plan. As of January 1, 2016, an additional 8,082,165 shares of common stock became available for future grants under our 2013 Plan pursuant to provisions thereof that automatically increase the share reserve under such plan each year.
In August 2013, our Board of Directors adopted, and our stockholders approved, our Employee Stock Purchase Plan ("ESPP"), which became effective upon adoption. Our ESPP allows eligible employees to acquire shares of our common stock at 85% of the lower of the fair market value of our common stock on the first trading of each offering period or on the exercise date. Each offering period is approximately twelve months starting on the first trading date on or after May 15 and November 15 of each year. Participants may purchase shares of common stock through payroll deductions of up to 15% of their eligible compensation, subject to purchase limits of 3,000 shares for each normal purchase period or $25,000 worth of stock for each calendar year.
Our ESPP provides for annual increases in the number of shares available for issuance on the first day of each fiscal year equal to the lesser of: 1% of the outstanding shares of our common stock on the first day of such fiscal year; 3,700,000 shares; or such other amount as may be determined by our Board of Directors. As of December 31, 2015 and 2014, approximately 3.2 million and 2.7 million shares of common stock were available for future issuance under our ESPP, respectively. As of January 1, 2016, an additional 1,616,433 shares of common stock became available for future issuance under our ESPP pursuant to the provisions thereof that automatically increase the share reserve under such plan each year.
From time to time, we also grant restricted common stock or restricted stock awards outside of our equity incentive plans to certain employees in connection with acquisitions.
Stock-Based Compensation
We record stock-based compensation based on the fair value of stock options on grant date using the Black-Scholes option-pricing model. We determine the fair value of shares of common stock to be issued under the ESPP using the Black-Scholes option-pricing model. The fair value of restricted stock units and restricted stock awards equals the market value of the underlying stock on the date of grant. We granted performance-based restricted stock units and restricted stock awards to certain employees which vest upon the achievement of certain performance conditions, subject to the employees' continued service relationship with us. We assess the probability of vesting at each reporting period and adjust our compensation cost based on this probability assessment. We recognize such compensation expense on a straight-line basis over the service provider's requisite service period. We determined valuation assumptions as follows:
Fair Value of Common Stock
Prior to our IPO, the fair value of the common stock underlying the stock option awards was determined by our board of directors. Given the absence of a public trading market, our Board of Directors considered numerous objective and subjective factors to determine the fair value of our common stock at each meeting at which awards were approved. These factors included, but were not limited to (i) contemporaneous third-party valuations of common stock; (ii) the rights and preferences of convertible preferred stock relative to common stock; (iii) the lack of marketability of common stock; (iv) developments in the business; and (v) the likelihood of achieving a liquidity event, such as an

initial public offering or sale of the Company, given prevailing market conditions. After the completion of our IPO, we have been using the listed stock price on the date of grant as the fair value of our common stock.

Risk-Free Interest Rate

We base the risk-free interest rate used in the Black-Scholes option-pricing model on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent expected term of the options for each option group.

Expected Term

The expected term represents the period that our stock-based awards are expected to be outstanding. We base the expected term assumption on our historical behavior combined with estimates of post-vesting holding periods.

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Volatility

We determine the price volatility factor based on the historical volatilities of our peer group as we do not have sufficient trading history for our common stock.

Dividend Yield

The expected dividend assumption is based on our current expectations about our anticipated dividend policy.

The following table summarizes the assumptions used in the Black-Scholes option-pricing model to determine the fair value of our stock options granted:

	Year Ended December 31,	
	2014	2013
Fair value of common stock	$27.89 - $75.87	$6.05 - $42.37
Risk-free interest rate	1.8% - 2.0%	0.6% - 2.1%
Expected term (in years)	6	4 - 6
Volatility	51% - 53%	46% - 54%
Dividend yield	—%	—%

No stock options were granted during the year ended December 31, 2015.

The following table summarizes the assumptions used in the Black-Scholes option-pricing model to determine fair value of our common shares to be issued under the ESPP:

	Year Ended December 31,		
	2015	2014	2013
Fair value of common stock	$19.10 - $35.16	$27.08 - $32.32	$20.00
Risk-free interest rate	0.09% - 0.50%	0.1%	0.1%
Expected term (in years)	0.5 - 1.0	0.5 - 1.0	0.7 - 1.2
Volatility	38% - 42%	35% - 45%	42% - 45%
Dividend yield	— %	— %	— %

Total stock-based compensation expense related to stock options, ESPP and restricted stock units and awards is included in the consolidated statements of operations as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Cost of product revenue	$1,588	$888	$469
Cost of subscription and services revenue	29,435	17,037	2,341
Research and development	68,329	28,968	6,958
Sales and marketing	73,286	66,773	10,748
General and administrative	49,793	38,186	8,342
Total	$222,431	$151,852	$28,858

As of December 31, 2015, total compensation cost related to stock-based awards not yet recognized was $494.7 million, net of estimated forfeitures, which is expected to be amortized over the weighted-average remaining vesting period of approximately 3 years.

Stock Option Activity

A summary of the activity for our stock option changes during the reporting periods and a summary of information related to options vested and expected to vest and options exercisable are presented below (in thousands, except per share and contractual life amounts and years):

	Options Outstanding				
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Grant Date Fair Value	Weighted-Average Contractual Life (years)	Aggregate Intrinsic Value
Balance — December 31, 2012	17,336	$0.98		8.3	$77,250
Option granted	13,182	9.57	$5.71		
Options exercised	(6,222)	0.88			41,599
Options canceled	(1,453)	3.60			
Options assumed in acquisition	4,579	5.93			
Balance — December 31, 2013	27,422	$5.82		8.3	$1,036,224
Option granted	676	72.60	$72.60		
Options exercised	(7,642)	2.97			271,236
Options canceled	(1,941)	9.10			
Options assumed in acquisition	63	20.60			
Balance — December 31, 2014	18,578	$9.13		7.4	$445,636
Option granted	—	—	$—		
Options exercised	(5,856)	4.97			211,854
Options cancelled	(1,228)	14.57			
Balance — December 31, 2015	11,494	$10.67		6.9	$149,157
Options vested and expected to vest — December 31, 2015	11,376	$10.60		6.8	$148,013
Options exercisable — December 31, 2015	7,226	$8.89		6.6	$102,036

In connection with our acquisition of Mandiant in December 2013, we assumed stock options covering an aggregate of 4.6 million shares of our common stock. At the date of the acquisition, 2.1 million of the stock options were vested and its fair value was recorded as part of the purchase consideration. The fair value related to the assumed 2.5 million unvested stock options are recognized as post-combination compensation costs and is being expensed ratably over the respective remaining service periods.

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Restricted Common Stock, Restricted Stock Awards ("RSA") and Restricted Stock Units ("RSU") Activity
A summary of the activity for our restricted common stock, RSAs and RSUs during the reporting periods and a summary of information related to unvested restricted common stock, RSAs and RSUs and those expected to vest are presented below (in thousands, except per share data and years):

	Number of Shares	Weighted-Average Grant-Date Fair Value	Weighted-Average Contractual Life (years)	Aggregate Intrinsic Value
Unvested balance — December 31, 2012	3,009	$2.20		
Granted	1,949	31.59		
Vested	(2,115)	3.26		
Canceled/forfeited	(262)	6.73		
Granted in connection with acquisitions	1,021	37.65		
Unvested balance — December 31, 2013	3,602	$27.20		
Granted	6,734	42.12		
Vested	(1,482)	16.04		
Canceled/forfeited	(809)	40.93		
Granted in connection with acquisitions	296	26.44		
Unvested balance — December 31, 2014	8,341	$39.57		
Granted	16,876	32.25		
Vested	(2,783)	35.66		
Canceled/forfeited	(2,380)	41.11		
Unvested balance — December 31, 2015	20,054	$33.68	1.6	$415,912
Expected to vest — December 31, 2015	18,822	$33.78	1.6	390,359

During the years ended December 31, 2015, 2014 and 2013, we issued 5.3 million, 1.7 million, and 2.1 million shares, respectively, of restricted common stock, restricted stock awards or restricted stock units to certain employees which vest upon the achievement of certain performance conditions in addition to a continued service relationship with the Company.
During the year ended December 31, 2015, awards granted includes two cycles of annual refresh grants made to the general employee population.
In connection with our acquisition of Mandiant in December 2013, we issued 797,698 shares of our restricted stock at a value of $43.69 per share. These awards had the same terms and conditions as set forth in the original restricted stock award agreements, and vested over the weighted-average remaining vesting period of approximately two years.
In connection with our acquisition of nPulse in May 2014, we issued 295,681 restricted stock awards at a value of $26.44 per share. Of these awards, 54,319 were issued to former shareholders as purchase consideration, while the other 241,362 were issued into escrow for employees continuing service with the Company. The vesting of all these awards is over a period of approximately three and a half years from the acquisition date, subject to the achievement of specified performance milestones. For those issued to employees vesting is also contingent upon continued service with the Company. As such, compensation expense is being recorded over the requisite service period of three and half years. As of December 31, 2015, one milestone had been achieved, resulting in the vesting of 135,399 of these awards.
12. Income Taxes
Loss before income taxes consisted of the following (in thousands):

	Year Ended December 31,		
	2015	2014	2013
United States	$(324,805)	$(269,426)	$(94,455)
Foreign	(210,320)	(211,018)	(85,477)
Total	$(535,125)	$(480,444)	$(179,932)

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The provision for (benefit from) income taxes consisted of the following (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Federal:			
Current	$—	$11	$—
Deferred	—	(36,208)	(56,212)
State:			
Current	(160)	255	86
Deferred	—	(3,263)	(4,564)
Foreign:			
Current	5,604	2,945	1,478
Deferred	(1,354)	(394)	(85)
Total	$4,090	$(36,654)	$(59,297)

Reconciliation of the federal statutory income tax rate to the effective tax rate is as follows:

	Year Ended December 31,		
	2015	2014	2013
Federal statutory rate	35.0 %	35.0 %	35.0 %
Effect of:			
State taxes, net of federal tax benefit	—	0.6	2.5
Change in valuation allowance	(21.0)	(11.2)	13.4
Research and development tax credit	1.1	1.2	0.8
Convertible preferred stock warrants	—	—	(1.3)
Stock-based compensation	(1.1)	(1.9)	2.9
Foreign differential	(14.1)	(15.6)	(17.1)
Non-deductible/non-taxable items	(0.6)	(0.2)	—
Other, net	(0.1)	(0.3)	(3.2)
Total	(0.8)%	7.6 %	33.0 %

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The components of the deferred tax assets and liabilities are as follows (in thousands):

	As of December 31,	
	2015	2014
Deferred tax assets:		
Net operating loss carryforwards	$82,201	$67,451
Accruals and reserves	16,841	9,549
Stock-based compensation	59,872	45,843
Fixed assets	12,122	6,906
Deferred revenue	43,411	23,095
Research and development credits	23,445	14,959
Other deferred tax assets	1,017	802
Gross deferred tax assets	238,909	168,605
Valuation allowance	(81,937)	(54,872)
Total deferred tax assets	156,972	113,733
Deferred tax liabilities:		
Acquisition related intangibles	(81,621)	(112,928)
Other deferred tax liabilities	(92)	(326)
Convertible senior notes	(73,427)	—
Total deferred tax liabilities	(155,140)	(113,254)
Total net deferred tax assets	$1,832	$479

A valuation allowance is provided when it is more likely than not that the deferred tax asset will not be realized. Our valuation allowance increased by approximately $27.1 million during the year ended December 31, 2015, primarily as a result of additional deferred tax assets recorded during the year for stock-based compensation and net operating loss carryforwards.

As of December 31, 2015, we had federal and state net operating loss carry forwards of approximately $542.6 million and $675.2 million, respectively, available to reduce future taxable income, if any. If not utilized, the federal net operating loss carry forwards will expire from the years ending December 31, 2024 through 2035 while state net operating loss carry forwards will expire from the years ending December 31, 2016 through 2035.

We also have federal and state research and development tax credit carry forwards of approximately $16.2 million and $10.5 million, respectively. If not utilized, the federal credit carry forwards will expire in various amounts from the years ended December 31, 2024 through 2035. The state credit will carry forward indefinitely.

Utilization of the net operating loss carry forwards and credits may be subject to an annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before utilization.

As a result of certain realization requirements of ASC 718, the table of deferred tax assets shown above does not include certain deferred tax assets as of December 31, 2015 that arose directly from tax deductions related to equity compensation greater than compensation recognized for financial reporting. Equity will be increased by $116.2 million if and when such deferred tax assets are ultimately realized. The Company uses ASC 740 ordering when determining when excess tax benefits have been realized.

As of December 31, 2015, we had $31.9 million of unrecognized tax benefits, of which $30.0 million would affect income tax expense if recognized, before consideration of our valuation allowance. As of December 31, 2015, our federal, state, and foreign returns for all years are still open to examination. We do not expect the unrecognized tax benefits to change significantly over the next 12 months. We recognize both interest and penalties associated with uncertain tax positions as a component of income tax expense. During the years ended December 31, 2015, 2014 and 2013, we recognized interest and penalties of $183,000, $115,000 and $71,000, respectively. As of December 31, 2015 and 2014, our total accrual for interest and penalties was $398,000 and $215,000, respectively. The ultimate amount and timing of any future cash settlements cannot be predicted with reasonable certainty.

A reconciliation of gross unrecognized tax benefit is as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Unrecognized tax benefits at the beginning of the period	$21,264	$10,887	$1,172
Additions for tax positions related to the current year	10,614	10,452	8,789
Increases related to prior year tax positions	24	—	947
Decreases related to prior year tax positions	—	(52)	—
Decreases based on settlements with taxing authorities	—	—	(21)
Lapse of statute of limitations	—	(23)	—
Unrecognized tax benefits at the end of the period	$31,902	$21,264	$10,887

As of December 31, 2015, we have not made any tax provision for U.S. federal and state income taxes on approximately $12.1 million of undistributed earnings in foreign subsidiaries, which we expect to reinvest outside of the U.S. indefinitely. If we were to repatriate these earnings to the U.S., we would be subject to U.S. income taxes and subject to an adjustment for foreign tax credits and foreign withholding taxes. Determination of the amount of unrecognized deferred tax liability related to these earnings is not practicable.

The provision for income taxes for the year ended December 31, 2015 reflects an effective tax rate of (0.8)%. The tax expense is primarily due to foreign taxes.

The benefit from income taxes for the year ended December 31, 2014 reflects an effective rate of 7.6%. The tax benefit is primarily due to the portion of the increase in U.S. deferred tax assets primarily related to current year operating losses and stock-based compensation for which no U.S. valuation allowance is required. The valuation allowance is not required to the extent that deferred tax liabilities on acquisition-related intangibles are available as a source of income for the U.S deferred tax assets. The tax benefit was also partially due to the reduction in U.S. deferred tax liabilities previously established in purchase accounting, partially offset by foreign taxes and state minimum taxes.

The benefit from income taxes for the year ended December 31, 2013 reflects an effective rate of 33.0%. The tax benefit is primarily due to a reduction of the U.S. valuation allowance resulting from recording a deferred tax liability on the acquisition-related intangibles for which no benefit will be derived, partially offset by foreign taxes and state minimum taxes.

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13. Net Loss per Share

Basic loss per share is calculated by dividing net loss by the weighted-average number of common shares outstanding during the period, less shares subject to repurchase, and excludes any dilutive effects of employee share-based awards and warrants. Diluted net income per common share is computed giving effect to all potential dilutive common shares, including common stock issuable upon exercise of stock options, conversion of the Convertible Senior Notes and unvested restricted common stock and stock units. As we had net losses for the years ended December 31, 2015, 2014 and 2013, all potential common shares were determined to be anti-dilutive.

The following table sets forth the computation of net loss per common share (in thousands, except per share amounts):

	Year Ended December 31,		
	2015	2014	2013
Numerator:			
Net loss	$(539,215)	$(443,790)	$(120,635)
Denominator:			
Weighted average number of shares outstanding — basic and diluted	154,120	142,176	45,271
Net loss per share — basic and diluted	$(3.50)	$(3.12)	$(2.66)

The following outstanding options, unvested shares and units, ESPP shares, warrants and shares issuable upon the conversion of our Convertible Senior Notes were excluded (as common stock equivalents) from the computation of diluted net loss per common share for the periods presented as their effect would have been anti-dilutive (in thousands):

	As of December 31,		
	2015	2014	2013
Options to purchase common stock	11,494	18,578	27,422
Unvested early exercised common shares	936	2,382	4,877
Unvested restricted stock awards and units	20,054	8,341	3,602
Convertible senior notes	15,141	—	—
Warrants to purchase common stock	—	—	312
ESPP shares	210	124	249

14. Employee Benefit Plan

We have established a 401(k) tax-deferred savings plan (the “401(k) Plan”), which permits participants to make contributions by salary deduction pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended. We maintain the 401(k) Plan that provides our eligible employees with an opportunity to save for retirement on a tax-advantaged basis. In addition, until January 2015 we maintained a tax qualified plan for employees of the Mandiant subsidiary that was assumed in the Mandiant acquisition. All participants’ interests in their deferrals are 100% vested when contributed under both 401(k) plans. We are responsible for administrative costs of the 401(k) Plan and have made no matching contributions into our 401(k) Plan since inception. The Mandiant 401(k) plan had provided for a match of 100% of the first 4% of an eligible employee’s compensation contributed. Matching contributions under the Mandiant 401(k) plan were 100% vested when made. Under both 401(k) plans, pre-tax contributions are allocated to each participant’s individual account and are then invested in selected investment alternatives according to the participants’ directions. Each 401(k) plan is intended to qualify under Sections 401(a) and 501(a) of the Code. As a tax-qualified retirement plan, contributions to each 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan, and all contributions are deductible by us when made. Our contributions to the Mandiant 401(k) plan were zero and $2.9 million for the years ended December 31, 2015 and 2014, respectively. In January 2015, the former Mandiant 401(k) plan was merged into the 401(k) Plan.

15. Related Party Transactions

Acquisition of Mandiant

Our Chief Executive Officer (“CEO”) and Chairman of our board of directors, served as the Chairman of the board of directors of Mandiant from April 2011 to October 2013, and served as an advisor to Mandiant from October 2013 until the closing of the merger in December 2013. In addition, as of immediately prior to the completion of the merger, the CEO held 740,166 shares of Mandiant common stock, of which 328,960 shares were unvested shares

subject to forfeiture in the event of his termination as a service provider to Mandiant. Pursuant to the terms of the equity agreements governing the CEO's shares of Mandiant common stock, all of the CEO's unvested Mandiant shares immediately vested in connection with the merger. Upon the closing of the merger, after giving effect to the vesting acceleration described in the preceding sentence, the CEO received aggregate merger consideration of approximately $28.6 million, consisting of approximately $3.9 million in cash and 601,439 shares of our common stock, of which 87,335 shares were deposited into a third-party escrow account as partial security for the indemnity obligations of Mandiant and its former stockholders.

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16. Segment and Major Customers Information

We conduct business globally and are primarily managed on a geographic basis. Our chief executive officer, who is our chief operating decision maker, reviews financial information presented on a consolidated basis accompanied by information about revenue by geographic region for purposes of allocating resources and evaluating financial performance. There are no segment managers who are held accountable for operations, operating results, and plans for levels, components, or types of products or services below the consolidated unit level. Accordingly, we are considered to be in a single reportable segment and operating unit structure.

Revenue by geographic region based on the billing address is as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Revenue:			
United States	$439,206	$319,144	$116,730
EMEA	80,960	57,721	22,845
APAC	73,009	34,284	16,004
Other	29,792	14,513	5,973
Total revenue	$622,967	$425,662	$161,552

Long lived assets by geographic region based on physical location is as follows (in thousands):

	As of December 31, 2015	
	2015	2014
Property and Equipment, net:		
United States	$57,537	$66,807
International	20,831	15,491
Total	$78,368	$82,298

For the years ended December 31, 2015, 2014 and 2013, one reseller represented 13%, 11% and 11%, respectively, of the Company's total revenue. For the year ended December 31, 2013, another reseller also represented 11% of the Company's total revenue. For the year ended December 31, 2015, one distributor represented 17% of the Company's total revenue. No distributor represented 10% or greater of the Company's total revenue for the years ended December 31, 2014 and 2013.

As of December 31, 2015 and 2014, one distributor represented 20% and 15%, respectively, of the Company's net accounts receivable balance. As of December 31, 2015, another distributor also represented 12% of the Company's net accounts receivable balance.

17. Subsequent Events
On January 14, 2016, we completed the acquisition of iSIGHT Security, Inc. (d/b/a iSIGHT Partners, Inc.), one of the world's leading providers of cyber threat intelligence for global enterprises. The acquisition extends our intelligence network to create an advanced and comprehensive private cyber threat intelligence operation, providing customers with higher fidelity alerts, context to prioritize threats and the strategic insights to proactively prepare for threats that might target their industry or region. As consideration for the acquisition, we paid approximately $200 million in cash upon closing, subject to adjustment per the terms of the agreement, with an additional $75 million payable in cash and equity contingent upon the achievement of a threat intelligence bookings target on or before the end of the second quarter of 2018. We incurred approximately $7 million in acquisition-related costs, which will be recognized in general and administrative expenses in 2016.
On February 1, 2016, we completed the acquisition of Invotas International Corporation, a provider of security automation and orchestration technology. This acquisition enables us to deliver a premier security orchestration capability as part of our global threat management platform to unify cyber attack detection results, threat intelligence and incident response elements of an organization's security program into a single console, giving enterprises the ability to respond more quickly to attacks through automation. As consideration for the acquisition, we paid approximately $30 million in cash and equity, subject to adjustment per the terms of the agreement.
We are currently in the process of completing the preliminary purchase price allocations for these acquisitions, which will be included in our condensed consolidated financial statements for the first quarter of 2016.
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure
None.
Item 9A. Controls and Procedures
Limitations on Effectiveness of Controls
In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.
Evaluation of Disclosure Controls and Procedures
Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2015. The term "disclosure controls and procedures," as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (or the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.
Based on our evaluation, our chief executive officer and chief financial officer concluded that, as of December 31, 2015, our disclosure controls and procedures were effective at the reasonable assurance level.
Management's Annual Report on Internal Control Over Financial Reporting
Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934.
Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015 based on the criteria related to internal control over financial reporting described in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2015.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Form 10-K, has issued a report, included herein, on the effectiveness of the Company's internal control over financial reporting as of December 31, 2015.

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Changes in Internal Control over Financial Reporting
There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
FireEye, Inc.
Milpitas, California

We have audited the internal control over financial reporting of FireEye, Inc. and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2015 of the Company and our report dated February 26, 2016 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
February 26, 2016

Item 9B. Other Information
None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to our Proxy Statement for our 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2015.

As part of our system of corporate governance, our board of directors has adopted a code of business conduct and ethics. The code applies to all of our employees, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions), agents and representatives, including our independent directors and consultants, who are not employees of ours, with regard to their FireEye-related activities. Our code of business conduct and ethics is available on our website at www.fireeye.com. We will post on this section of our website any amendment to our code of business conduct and ethics, as well as any waivers of our code of business conduct and ethics, that are required to be disclosed by the rules of the SEC or the NASDAQ Stock Market.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our Proxy Statement for our 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2015.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to our Proxy Statement for our 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2015.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to our Proxy Statement for our 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2015.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to our Proxy Statement for our 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2015.

PART IV

Item 15. Exhibits, Financial Statement Schedules

Documents filed as part of this report are as follows:

1. Consolidated Financial Statements:

Our Consolidated Financial Statements are listed in the “Index to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules:

Schedule II - Valuation and Qualifying Accounts is included below, and should be read in conjunction with the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K. All other schedules have been omitted because they are not required, not applicable, or the required information is included elsewhere in this Annual Report on Form 10-K.

3. Exhibits:

The documents listed in the Exhibit Index of this Annual Report on Form 10-K are incorporated by reference or are filed with this report, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

Allowance for doubtful accounts receivable	Balance at beginning of period	Charged to cost and expenses	Write-offs, net of recoveries	Balance at end of period
Year ended December 31, 2013	$20	$—	$—	$20
Year ended December 31, 2014	20	566	—	586
Year ended December 31, 2015	$586	$1,342	$93	$2,021

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 26, 2016.

FIREEYE, INC.

By: /s/ DAVID G. DEWALT
David G. DeWalt
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL THESE PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David G. DeWalt, Michael J. Berry and Alexa King, and each of them, his or her attorneys-in-fact, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact or his substitute or substitutes, may do or cause to be done by virtue hereof.
Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ DAVID G. DEWALT David G. DeWalt	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	February 26, 2016
/S/ MICHAEL J. BERRY Michael J. Berry	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 26, 2016
____________________ Ashar Aziz	Founder, Chief Strategy Officer, and Vice Chairman of the Board	
/S/ KEVIN R. MANDIA Kevin R. Mandia	President and Director	February 26, 2016
/S/ DEEPAK AHUJA Deepak Ahuja	Director	February 26, 2016
/S/ KIMBERLY ALEXY Kimberly Alexy	Director	February 26, 2016
/S/ RONALD E. F. CODD Ronald E. F. Codd	Director	February 26, 2016
/S/ WILLIAM M. COUGHRAN JR. William M. Coughran Jr.	Director	February 26, 2016

/S/ STEPHEN PUSEY Stephen Pusey	Director	February 26, 2016
/S/ ENRIQUE SALEM Enrique Salem	Director	February 26, 2016

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EXHIBT INDEX

Exhibit No.	Description of Exhibit	Incorporated by Reference Form	File No.	Exhibit	Filing Date
2.1+	Agreement and Plan of Merger, dated as of January 14, 2016, by and among the Registrant, Iris Merger Corporation, iSIGHT Security, Inc. and Shareholder Representative Services LLC.	8-K	001-36067	2.1	January 20, 2016
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-36067	3.1	September 25, 2013
3.2	Amended and Restated Bylaws of the Registrant.	S-1/A	333-190338	3.4	August 21, 2013
4.1	Form of the Registrant's common stock certificate.	S-1/A	333-190338	4.1	September 9, 2013
4.2	Indenture, dated as of June 2, 2015, between the Registrant and U.S. Bank National Association.	8-K	001-36067	4.1	June 5, 2015
4.3	Form of Global 1.000% Convertible Senior Note due 2035 (included in Exhibit 4.2).	8-K	001-36067	4.2	June 5, 2015
4.4	Indenture, dated as of June 2, 2015, between the Registrant and U.S. Bank National Association.	8-K	001-36067	4.3	June 5, 2015
4.5	Form of Global 1.625% Convertible Senior Note due 2035 (included in Exhibit 4.4).	8-K	001-36067	4.4	June 5, 2015
10.1†	Form of Indemnification Agreement between the Registrant and certain of its officers and directors.	S-1	333-190338	10.1	August 2, 2013
10.2†	Employee Incentive Plan.	S-1	333-190338	10.17	August 2, 2013
10.3†	Change of Control Severance Policy for Officers.	S-1/A	333-190338	10.27	August 21, 2013
10.4†	2004 Stock Option Plan, as amended, including form agreements under 2004 Stock Option Plan.	S-1	333-190338	10.5	August 2, 2013
10.5†	2008 Stock Plan, as amended, including form agreements under 2008 Stock Plan.	S-1/A	333-190338	10.6	September 9, 2013
10.6†	2013 Equity Incentive Plan, including form agreements under 2013 Equity Incentive Plan.	S-1/A	333-193717	10.6	March 3, 2014
10.7†	2013 Employee Stock Purchase Plan.	S-1/A	333-190338	10.8	September 9, 2013
10.8†	Mandiant Corporation 2011 Equity Incentive Plan, as amended, including form agreements under Mandiant Corporation 2011 Equity	S-1	333-193717	10.8	February 3, 2014

	Incentive Plan.				
10.9†	Outside Director Compensation Policy.	10-Q	001-36067	10.1	November 5, 2014
10.10†	Offer Letter between the Registrant and David DeWalt, dated November 19, 2012, as amended and currently in effect.	S-1/A	333-190338	10.9	August 21, 2013
10.11†	Offer Letter between the Registrant and Ashar Aziz, dated November 26, 2012.	S-1	333-190338	10.10	August 2, 2013
10.12†	Offer Letter between the Registrant and Enrique Salem, dated February 2, 2013.	S-1	333-190338	10.11	August 2, 2013
10.13†	Offer Letter between the Registrant and Ronald E. F. Codd, dated July 28, 2012.	S-1	333-190338	10.12	August 2, 2013
10.14†	Offer Letter between the Registrant and Kimberly Alexy, dated December 12, 2014.	8-K	001-36067	10.1	January 8, 2015
10.15†	Offer Letter between the Registrant and Stephen Pusey, dated June 12, 2015.	8-K	001-36067	10.1	June 17, 2015

10.16†	Offer Letter between the Registrant and Deepak Ahuja, dated August 27, 2015.	8-K	001-36067	10.2	September 8, 2015
10.17†	Offer Letter between the Registrant and John McGee, dated July 4, 2014.	10-Q	001-36067	10.2	November 5, 2014
10.18†	Offer Letter between the Registrant and Alexa King, dated August 1, 2013.	S-1/A	333-190338	10.16	August 21, 2013
10.19†	Offer Letter, between the Registrant and Kevin Mandia, dated December 24, 2013.	8-K	001-36067	10.1	January 2, 2014
10.20†	Offer Letter between the Registrant and Michael Berry dated August 25, 2015.	8-K	001-36067	10.1	September 8, 2015
10.21†	Key Employee Non-Competition Agreement, dated as of December 30, 2013, by and between Kevin Mandia and the Registrant.	8-K	001-36067	10.3	January 2, 2014
10.22	Lease, dated as of January 15, 2008, by and between the Registrant and Silicon Valley CA-I, LLC, as amended and currently in effect.	S-1/A	333-190338	10.3	August 21, 2013
10.23	Sixth Amendment, dated as of January 23, 2014, to the Lease dated as of January 15, 2008 by and between the Registrant and Silicon Valley CA-I, LLC.	10-Q	001-36067	10.3	May 14, 2014
10.24	Seventh Amendment, dated as of March 24, 2014, to the Lease dated as of January 15, 2008 by and between the Registrant and Silicon Valley CA-I, LLC.	10-Q	001-36067	10.4	May 14, 2014
10.25	Lease, dated as of March 11, 2010, by and between the Registrant and Silicon Valley CA-I, LLC, as amended, assigned and currently in effect.	S-1	333-190338	10.4	August 2, 2013
10.26††	Flextronics Design and Manufacturing Services Agreement, dated as of September 28, 2012, by and between the Registrant and Flextronics Telecom Systems, Ltd.	S-1/A	333-190338	10.19	September 9, 2013
10.27	Amendment to Flextronics Design and Manufacturing Services Agreement, effective as of August 1, 2013, by and among the Registrant, FireEye Ireland Limited and Flextronics Telecom Systems, Ltd.	10-Q	001-36067	10.3	November 5, 2014
10.28		10-Q	001-36067	10.4	November 5, 2014

	Design Statement of Work A-1 to Flextronics Design and Manufacturing Services Agreement, dated December 4, 2013, by and among the Registrant, FireEye Ireland Limited and Flextronics Telecom Systems, Ltd.				
10.29	Purchase Agreement, dated May 27, 2015, among the Registrant and Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC, as representatives of the several Initial Purchasers named in Schedule I thereto	8-K	001-36067	10.1	May 29, 2015
10.30	Forward Stock Purchase Transaction, dated May 27, 2015, between the Registrant and Morgan Stanley & Co. LLC.	8-K	001-36067	10.2	May 29, 2015
10.31	Forward Stock Purchase Transaction, dated May 27, 2015, between the Registrant and Morgan Stanley & Co. LLC.	8-K	001-36067	10.3	May 29, 2015
21.1*	List of subsidiaries of the Registrant.				
23.1*	Consent of Deloitte & Touche LLP, independent registered public accounting firm.				
24.1	Power of Attorney (included on the signature page to this Annual Report on Form 10-K).				

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31.1*	Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Executive Officer.
31.2*	Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Financial Officer.
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.
** Furnished herewith.
\+ The schedules and other attachments to this exhibit have been omitted. The Registrant agrees to furnish a copy of any omitted schedules or attachments to the SEC upon request.
† Indicates a management contract or compensatory plan or arrangement.
†† Portions of this exhibit have been granted confidential treatment by the Securities and Exchange Commission.

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